ARTIS
REIT

2014 FINANCIAL REPORT

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MANAGEMENT'S DISCUSSION & ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2014 and 2013, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including February 26, 2015. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the REIT's future operating results, performance and achievements are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", and similar expressions are intended to identify forward-looking statements.

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

NOTICE RESPECTING NON-GAAP MEASURES

Property Net Operating Income ("Property NOI"), Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are non-GAAP measures commonly used by Canadian real estate investment trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the CPA Canada Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a publicly accountable enterprise, Artis applies the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Artis calculates Property NOI as revenues, measured in accordance with IFRS, less property operating expenses such as taxes, utilities, repairs and maintenance. Property NOI does not include charges for interest and amortization. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties.

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in April 2014. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Property NOI, FFO and AFFO are not measures defined under IFRS. Property NOI, FFO and AFFO are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Property NOI, FFO and AFFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

OVERVIEW

Artis is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on August 2, 2012 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange (the "TSX"). The REIT's trust units ("units") trade under the symbol AX.UN, the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E, AX.PR.G and the REIT's Series F and Series G convertible debentures trade under the symbols AX.DB.F and AX.DB.U, respectively. As at February 26, 2015, there were 136,727,130 units, 2,721,250 options, 13,650,000 preferred units, 277,082 restricted units, and 3,599 deferred units of Artis outstanding (refer to the Outstanding Unit Data section for further details).

PRIMARY OBJECTIVES

Artis' primary objective is to provide stable, reliable and tax efficient monthly cash distributions as well as long-term appreciation in the value of Artis' units.

Artis' management employs several key strategies to meet our primary objective:

- Portfolio Diversification. We build stability into our cash flows through a strategy of diversification. Our commercial properties are well diversified across the industrial, retail and office asset classes. We are also geographically diversified with properties owned across western Canada, as well as Ontario and in select markets in the United States ("U.S.").
- Portfolio Expansion. We build growth into our cash flows through the efficient sourcing and deployment of capital into high-quality and accretive acquisition opportunities in our target markets, or into high-yield intensification or (re)development opportunities that exist within our property portfolio.
- Managing for Value Creation. We build value through the active management of our portfolio, leveraging off the experience and expertise of our management team. We focus on maximizing property value and cash flows over the long-term, creating additional value through the selective disposition of assets at premium prices, and reinvesting and repositioning the portfolio on an on-going basis in higher growth markets.

The Declaration of Trust provides that Artis may make monthly cash distributions to its unitholders. The amount distributed annually (currently $1.08 per unit on an annualized basis) will be set by the Trustees.

U.S. INVESTMENT STRATEGY

The U.S. is the largest economy and real estate market in the world, and Canada's primary trading partner. The U.S. economy is projected to lead the G7 group of country economies in GDP growth over the years ahead, which in turn, will have a positive impact on real estate fundamentals.

For the three month period ended December 31, 2014, 25.1% of Artis' portfolio weighting by Property NOI including joint ventures, is in the United States.

Artis' management has adopted a disciplined approach in pursuing U.S. acquisitions as follows:

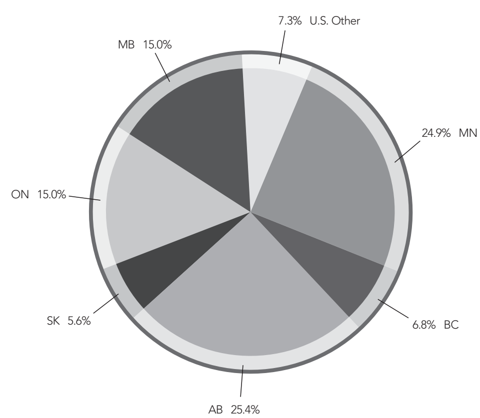
- total weighting of U.S. properties in Artis' portfolio will not exceed 30% by pro-forma Property NOI.
- unlevered yield will be accretive, and higher than that available for a comparable property in Canada.
- low interest, conventional mortgage financing will be available.
- quality local third party property management will be available.
- property will be "new generation", thus reducing the average age of Artis' overall portfolio.
- the tenant credit and lease expiry profile for the property will be more conservative than that of a comparable property in Canada, thus improving the credit profile of Artis' overall portfolio.

PORTFOLIO SUMMARY

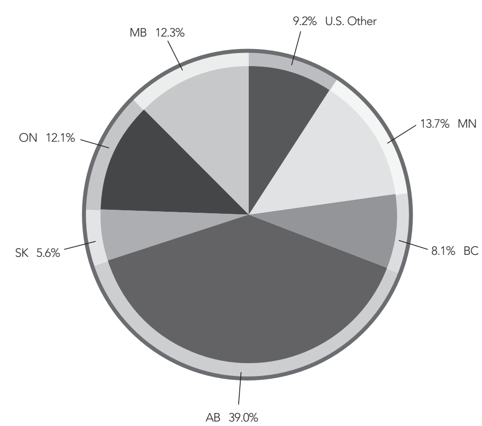
At December 31, 2014, the REIT's portfolio was comprised of 246 commercial properties totaling approximately 25.8 million square feet (S.F.) of gross leasable area ("GLA").

Diversification by Geographical Region

GLA

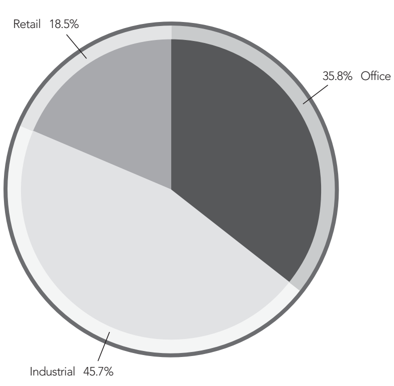


Property NOI (YTD)

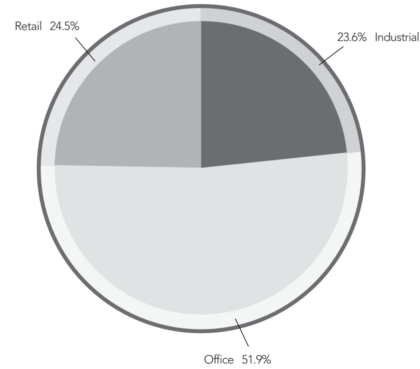


Diversification by Asset Class

GLA



Property NOI (YTD)



(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at December 31, 2014 (in 000's of S.F.) (1)

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed % (2)
Canadian Portfolio:							
Industrial	Airdrie	AB	1	28	0.1%	100.0%	100.0%
	Calgary	AB	7	597	2.3%	99.8%	99.8%
	Edmonton Capital Region	AB	10	1,219	4.7%	94.3%	94.6%
	Greater Toronto Area	ON	29	2,205	8.5%	96.5%	96.8%
	Greater Vancouver Regional District	BC	1	71	0.3%	100.0%	100.0%
	Red Deer	AB	1	126	0.5%	100.0%	100.0%
	Regina	SK	1	119	0.5%	100.0%	100.0%
	Saskatoon	SK	2	269	1.0%	100.0%	100.0%
	Winnipeg	MB	27	1,491	5.8%	92.6%	94.8%
Industrial total			79	6,125	23.7%	95.8%	96.5%
Office	Calgary	AB	20	2,535	9.8%	94.3%	95.4%
	Edmonton Capital Region	AB	1	47	0.2%	91.7%	91.7%
	Greater Toronto Area	ON	7	1,084	4.2%	92.8%	93.0%
	Greater Vancouver Regional District	BC	5	610	2.4%	95.6%	95.6%
	Nanaimo	BC	2	68	0.3%	100.0%	100.0%
	Ottawa	ON	2	287	1.1%	100.0%	100.0%
	Red Deer	AB	1	148	0.6%	86.6%	86.6%
	Saskatoon	SK	1	64	0.2%	100.0%	100.0%
	Winnipeg	MB	9	1,470	5.7%	93.1%	93.5%
Office total			48	6,313	24.5%	94.1%	94.6%
Retail	Calgary	AB	7	531	2.1%	98.4%	98.8%
	Cranbrook	BC	1	288	1.1%	96.8%	96.8%
	Edmonton Capital Region	AB	6	504	2.0%	98.7%	99.4%
	Edson	AB	1	20	0.1%	100.0%	100.0%
	Estevan	SK	2	176	0.7%	96.5%	96.5%
	Fort McMurray	AB	8	194	0.8%	100.0%	100.0%
	Grande Prairie	AB	6	378	1.5%	93.1%	93.1%
	Greater Vancouver Regional District	BC	1	165	0.6%	94.0%	94.0%
	Lethbridge	AB	1	53	0.2%	97.9%	97.9%
	Medicine Hat	AB	1	162	0.6%	100.0%	100.0%
	Moose Jaw	SK	1	38	0.1%	100.0%	100.0%
	Nanaimo	BC	2	39	0.2%	100.0%	100.0%
	Regina	SK	8	554	2.1%	84.2%	92.1%
	Saskatoon	SK	3	219	0.8%	97.5%	98.3%
	Westbank / West Kelowna	BC	3	433	1.7%	99.6%	99.6%
	Whistler	BC	1	30	0.1%	91.5%	91.5%
	Winnipeg	MB	6	645	2.5%	96.6%	97.9%
Retail total			58	4,429	17.2%	95.8%	97.1%
Total Canadian portfolio			185	16,867	65.4%	95.1%	96.0%
U.S. Portfolio:							
Industrial	Phoenix Metropolitan Area	AZ	1	98	0.4%	100.0%	100.0%
	Twin Cities Area	MN	33	4,991	19.3%	93.2%	94.0%
Industrial total			34	5,089	19.7%	93.4%	94.1%
Office	Greater Denver Area	CO	3	540	2.1%	97.5%	97.7%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Phoenix Metropolitan Area	AZ	6	1,002	3.9%	94.8%	95.8%
	Tampa	FL	1	107	0.4%	100.0%	100.0%
	Twin Cities Area	MN	5	1,147	4.4%	89.2%	94.5%
Office total			16	2,919	11.3%	93.5%	96.0%
Retail	Twin Cities Area	MN	7	298	1.2%	97.8%	97.8%
Total U.S. portfolio			57	8,306	32.2%	93.6%	94.9%
Total Canadian and U.S.			242	25,173	97.6%	94.6%	95.6%

(1) Excluding properties held for re-development.
(2) Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2014.

(In thousands of Canadian dollars, unless otherwise noted)

Properties Held for Re-development (in 000's of S.F.)

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Property	Committed % (1)
Industrial	Winnipeg	MB	1	73	0.3%	1595 Buffalo Place	42.8%
Industrial	Winnipeg	MB	1	196	0.8%	Inkster Business Center	31.1%
Retail	Nanaimo	BC	1	54	0.2%	Pleasant Valley Landing	0.0%
Industrial	Greater Toronto Area	ON	1	295	1.1%	201 Westcreek Boulevard	100.0%
Total properties held for re-development			4	618	2.4%		62.6%

(1) Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2014.

Artis has completed demolition of approximately 38,000 square feet of leasable area at 1595 Buffalo Place, and in Q4-14, completed construction of new generation warehouse space with higher ceilings, new front office space and improved loading in its place. Leasing efforts for the new space are underway while the remainder of the building, which is newer generation construction, remains leased to a national tenant and is also undergoing an extensive exterior renovation.

Re-development plans and pre-leasing efforts for the Inkster Business Center continue, with approximately 61,000 square feet of the 196,000 square foot building leased under a seven year agreement which commenced in Q4-14. This property, previously leased to a single tenant, is undergoing extensive re-development into a multi-tenant building.

Pleasant Valley Landing is under construction with plans to re-develop this property into new generation multi-tenant retail space. Pre-leasing is underway with completion of the re-development work anticipated in Q2-15.

201 Westcreek Boulevard has been classified as a re-development property as a result of extensive plans to renovate and demise the building from a single tenant to multi-tenant property. The existing tenant will continue to lease approximately 50.0% of the building, while the remainder has been committed to a new tenant under a 10 year agreement, anticipated to commence in Q2-15.

Victoria Square Shopping Centre has been removed from properties held for re-development upon successful negotiation of numerous leases with national tenants for nearly 70.0% of the space formerly leased to Zellers.

New Developments in Process

Artis has a 50% ownership interest in the Centrepoint development project located in Winnipeg, Manitoba. The construction project, which is currently underway, is expected to comprise 96,165 square feet of leasable area; completion is anticipated in Q2-15.

In Q1-14, Artis acquired a 90% ownership interest in the Park Lucero industrial joint venture arrangement. Park Lucero is a 48 acre parcel of land in the Phoenix Metropolitan Area, Arizona, and is zoned and fully serviced. This land is expected to be developed into approximately 600,000 square feet of new generation industrial buildings, with construction underway for the first phase, which is anticipated to comprise approximately 211,000 square feet.

Development Initiatives

Artis continues to pursue opportunities for a mixed-use development project in the Sports, Hospitality and Entertainment District in downtown Winnipeg, Manitoba under a joint venture development/ownership arrangement.

In 2013, Artis purchased an 11.93 acre parcel of land adjacent to Linden Ridge Shopping Centre, a retail property in Winnipeg, Manitoba also owned by Artis. Pre-leasing for this development opportunity is underway with the potential to develop approximately 135,000 square feet on this site.

In Q2-14, Artis acquired a 90% ownership interest in a multi-phase office development joint venture arrangement. The property is located on the I-10 in the heart of the Energy Corridor, one of the strongest office markets in Houston, Texas. This project is expected to be developed in several phases, totaling approximately 1,600,000 square feet, with the first phase anticipated to comprise approximately 300,000 square feet. The commencement date for the construction of this project has yet to be determined.

In Q3-14, Artis purchased a 127.36 acre parcel of land located in the Southwest industrial submarket in Houston, Texas. Planning is underway for this future development.

(In thousands of Canadian dollars, unless otherwise noted)

2014 – ANNUAL HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired nine commercial properties, completed three development projects and disposed of three commercial properties during the course of 2014.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's) [1]	Number of Properties	S.F. (000's) [1]	Number of Properties	S.F. (000's) [1]	Number of Properties	S.F. (000's) [1]
Portfolio properties at December 31, 2013	62	8,861	63	4,528	114	11,395	239	24,784
Acquisitions	2	371	4	248	3	248	9	867
New construction	-	-	-	87	1	221	1	308
Dispositions	-	-	(1)	(82)	(2)	(86)	(3)	(168)
Portfolio properties at December 31, 2014	64	9,232	66	4,781	116	11,778	246	25,791

[1] Based on owned share of total leasable area.

Property Acquisitions

Property	Property Count	Acquisition Date	Location	Property Type	Owned Share of GLA	Purchase Price
Hudson's Bay Centre [1]	1	April 15, 2014	Denver, CO	Office	86,456	US$20,750
Estevan Shoppers Mall	1	May 1, 2014	Estevan, SK	Retail	129,732	10,100
601 Tower at Carlson	1	June 11, 2014	Twin Cities Area, MN	Office	288,458	US75,000
Crosstown North Business Center II & VI	2	June 16, 2014	Twin Cities Area, MN	Industrial	140,856	US8,750
Shoppes of St. Vital	1	September 9, 2014	Winnipeg, MB	Retail	24,266	12,425
Crowfoot Village	1	November 17, 2014	Calgary, AB	Retail	63,295	39,835
Cargill R&D	1	December 16, 2014	Twin Cities Area, MN	Industrial	106,519	US15,700
Union Crossings II	1	December 31, 2014	Twin Cities Area, MN	Retail	23,040	US3,259

[1] Artis acquired a 50% interest in this joint venture.

These properties were acquired for aggregate purchase prices of $62,360 and US$123,459. This represented a weighted-average capitalization rate of 6.92%.

Development Land Acquisitions

Property	Location	Acquisition Date	Type	Purchase Price
Park Lucero [1]	Phoenix Metropolitan Area, AZ	March 7, 2014	Industrial	US$9,431
Corridor Park [1]	Houston, TX	June 17, 2014	Office	US27,800
Park 8Ninety	Houston, TX	September 18, 2014	Industrial	US12,772
Stampede Station II	Calgary, AB	October 8, 2014	Office	8,100
801 Carlson	Twin Cities Area, MN	October 20, 2014	Office	US3,750
Union Crossings III	Twin Cities Area, MN	December 31, 2014	Retail	US700

[1] The REIT acquired a 90% interest in this joint venture.

Completed Development Projects

In Q1-14, Artis completed the construction of Midtown Business Center, a 185,407 square foot industrial building located in the Twin Cities Area, Minnesota. This building is fully leased under a 10 year agreement with annual rent escalations.

Also in Q1-14, Artis completed construction of the 87,000 square foot retail development on the excess lands at the Linden Ridge Shopping Centre, located in Winnipeg, Manitoba. This new development has been fully leased to a variety of national tenants.

In Q4-14, Artis completed construction of an approximately 36,000 square foot industrial building at Fourell Business Park located in Edmonton, Alberta. Artis purchased Fourell Business Park in 2010 with an existing 400,000 square foot building, and has since built a total of nearly 100,000 square feet on the site in two phases. The entire property including new development space is now 100% leased.

Property Dispositions

During 2014, Artis sold an industrial property in the Greater Toronto Area, Ontario, an industrial property in the Twin Cities Area, Minnesota and a retail property located in the Greater Vancouver Regional District, British Columbia. The aggregate sale price of these properties was $21,125. The cash proceeds, net of costs of $718 and related debt of $2,311, were $18,096.

FINANCING ACTIVITIES

Convertible Debentures Redemption

On January 15, 2014, $2,500 of the 5.00% Series D convertible debentures were redeemed for cash and on December 1, 2014, the REIT redeemed the remaining balance of the Series D convertible debentures of $1,500 for cash.

At-the-Market Equity Financing

On January 31, 2014, 320,000 units were issued pursuant to the at-the-market equity financing arrangement at an average price per unit of $15.09 for gross proceeds of $4,830. Net proceeds were $4,469, which included commission costs of $145.

Senior Unsecured Debentures Offering

On March 27, 2014, under the June 15, 2012 short form base shelf prospectus, Artis issued 3.753% Series A senior unsecured debentures totaling $125,000. On September 10, 2014, under the July 17, 2014 short form base shelf prospectus, Artis issued additional Series A senior unsecured debentures with a face value of $75,000. These debentures mature on March 27, 2019.

Equity Offering

On May 22, 2014, under the June 15, 2012 short form base shelf prospectus, Artis issued 7,147,250 trust units at a price of $16.10 per unit for aggregate gross proceeds to Artis of $115,071. This included 932,250 units issued pursuant to the exercise of the underwriters' over-allotment option.

Short Form Base Shelf Prospectuses

On June 15, 2012, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. This base shelf expired on July 15, 2014. The REIT had issued common units under three offerings in the amount of $356,680, preferred units under four offerings in the amount of $266,250 and US$75,000 and senior unsecured debentures under one offering in the amount of $125,000 under this short form base shelf prospectus.

On July 17, 2014, the REIT issued a new short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at December 31, 2014, the REIT has issued senior unsecured debentures under one offering in the amount of $75,000 under this short form base shelf prospectus.

Unsecured Revolving Term Credit Facilities

On December 17, 2014, the REIT entered into two unsecured revolving term credit facilities in the aggregate amount of $125,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. The credit facilities mature on December 15, 2017. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2014, the REIT had no balance drawn on the facilities.

Debt Financing and Repayments

In 2014, Artis made repayments on 11 maturing mortgages in the amount of $113,506. Artis received new and upward financing on four mortgages, net of financing costs, for a total of $37,139.

DISTRIBUTIONS

Artis declared distributions of $161,330 to unitholders in 2014, of which $25,332 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

(In thousands of Canadian dollars, unless otherwise noted)

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	2014	Year ended December 31, 2013	Change	% Change	Year ended December 31, 2012
Revenue	$ 500,558	$ 463,418	$ 37,140	8.0%	$ 372,469
Property NOI	312,848	296,882	15,966	5.4%	240,409
Net income	197,886	191,155	6,731	3.5%	340,339
Basic income per common unit	1.36	1.45	(0.09)	(6.2)%	3.21
Diluted income per common unit	1.33	1.41	(0.08)	(5.7)%	3.14
Distributions to common unitholders	$ 143,668	$ 132,454	$ 11,214	8.5%	$ 114,968
Distributions per common unit	1.08	1.08	-	-	1.08
FFO	$ 193,461	$ 183,467	$ 9,994	5.4%	$ 139,804
FFO per unit	1.42	1.46	(0.04)	(2.7)%	1.30
FFO after adjustments(1)	193,285	176,983	16,302	9.2%	139,361
FFO per unit after adjustments(1)	1.42	1.41	0.01	0.7%	1.30
FFO payout ratio after adjustments(1)	76.1%	76.6%		(0.5)%	83.1%
AFFO(1)	$ 164,585	$ 150,277	$ 14,308	9.5%	$ 121,917
AFFO per unit(1)	1.23	1.21	0.02	1.7%	1.14
AFFO payout ratio(1)	87.8%	89.3%		(1.5)%	94.7%

(1) Calculated after adjustments for lease termination income received from tenants.

Acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange have contributed to the increase in revenues, Property NOI, FFO and AFFO during 2014.

As a result of units issued from public offerings and units issued under the DRIP, basic units outstanding for the calculation of FFO and AFFO have substantially increased. This increase has diluted the impact of strong growth in revenues, Property NOI, FFO and AFFO on per unit results.

	December 31, 2014	December 31, 2013	December 31, 2012
Secured mortgages and loans to GBV	41.3%	45.4%	47.3%
Total long-term debt and bank indebtedness to GBV	48.4%	49.0%	51.5%
Total assets	$ 5,478,852	$ 5,042,037	$ 4,380,060
Total non-current financial liabilities	$ 2,259,101	$ 2,187,977	$ 2,043,026

Artis' secured mortgages and loans to GBV ratio at December 31, 2014 decreased by 4.1% to 41.3% from 45.4% at December 31, 2013.

ANALYSIS OF OPERATING RESULTS

REVENUE AND PROPERTY NOI

Revenue includes amounts earned from tenants related to lease agreements, including basic rent, parking, operating cost and realty tax recoveries, as well as amortization of tenant incentives and adjustments for the straight-lining of rents.

Artis accounts for tenant incentives by amortizing the cost over the term of the tenant's lease. In 2014, the REIT recorded amortization of $10,412 (Q4-14 - $2,698) as a reduction in revenue from tenant incentives compared to $9,291 (Q4-13 - $2,919) in 2013.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In 2014, straight-line rent adjustments of $4,677 (Q4-14 - $1,199) were recorded compared to $5,543 (Q4-13 - $1,172) in 2013.

Property operating expenses include realty taxes as well as other costs related to interior and exterior maintenance, HVAC, insurance, utilities and property management expenses.

Lease Termination Income

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however, it is unpredictable and period-over-period changes are not indicative of trends. In 2014, lease termination income totaled $176 (Q4-14 - $73) compared to $6,484 (Q4-13 - $219) in 2013.

(In thousands of Canadian dollars, unless otherwise noted)

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2013, and excludes properties disposed subsequent to January 1, 2013 and those held for re-development.

	Three month period ended December 31, 2014	2013	Change	% Change
Revenue	$ 114,385	$ 111,354		
Property operating expenses	46,473	45,637		
Property NOI	67,912	65,717	2,195	3.3%
Add (deduct) non-cash revenue adjustments:				
Amortization of tenant inducements	2,633	2,859		
Straight-line rent adjustment	(597)	(985)		
Property NOI less non-cash revenue adjustments	$ 69,948	$ 67,591	$ 2,357	3.5%

	Year ended December 31, 2014	2013	Change	% Change
Revenue	$ 440,671	$ 426,330		
Property operating expenses	170,826	161,220		
Property NOI	269,845	265,110	4,735	1.8%
Add (deduct) non-cash revenue adjustments:				
Amortization of tenant inducements	10,283	9,198		
Straight-line rent adjustment	(2,640)	(4,922)		
Property NOI less non-cash revenue adjustments	$ 277,488	$ 269,386	$ 8,102	3.0%

Lease termination income related to significant tenants of $nil (Q4-14 - $nil) in 2014, compared to $3,489 (Q4-13 - $111) in 2013, has been excluded from revenue for purposes of the same property income calculation. The portion that covers lost revenue due to vacancy has been added back to income for the purposes of the same property income calculation.

Same Property NOI by Asset Class

	Three month period ended December 31, 2014	2013	Change	% Change	Year ended December 31, 2014	2013	Change	% Change
Retail	$ 17,897	$ 16,869	$ 1,028	6.1%	$ 68,375	$ 65,631	$ 2,744	4.2%
Office	35,010	33,895	1,115	3.3%	139,875	136,673	3,202	2.3%
Industrial	17,041	16,827	214	1.3%	69,238	67,082	2,156	3.2%
Total	$ 69,948	$ 67,591	$ 2,357	3.5%	$ 277,488	$ 269,386	$ 8,102	3.0%

Same Property NOI by Geographical Region

	Three month period ended December 31, 2014	2013	Change	% Change	Year ended December 31, 2014	2013	Change	% Change
Alberta	$ 26,654	$ 26,242	$ 412	1.6%	$ 106,890	$ 105,286	$ 1,604	1.5%
British Columbia	6,670	6,333	337	5.3%	26,612	25,759	853	3.3%
Manitoba	9,479	9,250	229	2.5%	38,021	36,928	1,093	3.0%
Ontario	8,060	8,168	(108)	(1.3)%	34,369	33,848	521	1.5%
Saskatchewan	4,402	4,137	265	6.4%	14,757	14,272	485	3.4%
Minnesota	9,467	8,836	631	7.1%	37,019	34,629	2,390	6.9%
U.S. - Other	5,216	4,625	591	12.8%	19,820	18,664	1,156	6.2%
Total	$ 69,948	$ 67,591	$ 2,357	3.5%	$ 277,488	$ 269,386	$ 8,102	3.0%

(In thousands of Canadian dollars, unless otherwise noted)

Same Property NOI by Country

	Three month period ended December 31, 2014	2013	Change	% Change	Year ended December 31, 2014	2013	Change	% Change
Canada	$ 55,265	$ 54,130	$ 1,135	2.1%	$ 220,649	$ 216,093	$ 4,556	2.1%
U.S.	14,683	13,461	1,222	9.1%	56,839	53,293	3,546	6.7%
Total	$ 69,948	$ 67,591	$ 2,357	3.5%	$ 277,488	$ 269,386	$ 8,102	3.0%

The strong same property results in the U.S. are positively impacted by foreign exchange.

Same Property Occupancy Comparisons

Geographical Region	As at December 31, 2014	2013
Alberta	95.4%	94.7%
British Columbia	97.1%	93.1%
Manitoba	93.9%	94.9%
Ontario	95.5%	96.4%
Saskatchewan	92.1%	88.9%
Minnesota	92.0%	94.2%
U.S. - Other	95.0%	95.9%
Total	94.3%	94.5%

Asset Class	As at December 31, 2014	2013
Retail	95.6%	94.3%
Office	93.2%	92.9%
Industrial	94.6%	95.8%
Total	94.3%	94.5%

PROPERTY NOI BY ASSET CLASS

In 2014, revenues and Property NOI increased for all segments of the portfolio in comparison to 2013. The growth is primarily attributable to acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange. The growth in the retail and office segments was impacted by lease termination income received in 2013.

	Three month period ended December 31, 2014			2013		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	$ 30,647	$ 72,330	$ 28,574	$ 27,638	$ 67,775	$ 27,441
Property operating expenses	10,507	30,967	10,315	9,370	28,995	9,485
Property NOI	$ 20,140	$ 41,363	$ 18,259	$ 18,268	$ 38,780	$ 17,956
Share of Property NOI	*25.2%*	*51.9%*	*22.9%*	*24.4%*	*51.7%*	*23.9%*

	Year ended December 31, 2014			2013		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	$ 113,534	$ 274,605	$ 112,165	$ 108,420	$ 247,392	$ 107,507
Property operating expenses	36,905	112,350	38,455	32,506	97,568	36,462
Property NOI	$ 76,629	$ 162,255	$ 73,710	$ 75,914	$ 149,824	$ 71,045
Share of Property NOI	*24.5%*	*51.9%*	*23.6%*	*25.6%*	*50.5%*	*23.9%*

(In thousands of Canadian dollars, unless otherwise noted)

PROPERTY NOI BY GEOGRAPHICAL REGION

In 2014, revenues and Property NOI increased in Alberta, Manitoba, Minnesota and US - Other in comparison to 2013. The growth is primarily attributable to Acquistions during 2013 and 2014, same property revenue growth and the impact of foreign exchange. In 2014, revenues and Property NOI decreased in Ontario and Saskatchewan primarily due to lease termination income received in 2013 and decreased in British Columbia primarily due to the sale of a retail property.

	Three month period ended December 31, 2014						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 46,988	$ 10,301	$ 19,363	$ 16,089	$ 7,010	$ 21,021	$ 10,779
Property operating expenses	15,766	4,307	9,444	7,122	2,461	9,392	3,297
Property NOI	$ 31,222	$ 5,994	$ 9,919	$ 8,967	$ 4,549	$ 11,629	$ 7,482
Share of Property NOI	*39.1%*	*7.5%*	*12.4%*	*11.3%*	*5.7%*	*14.6%*	*9.4%*

	Three month period ended December 31, 2013						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 45,113	$ 10,284	$ 18,373	$ 16,402	$ 6,353	$ 16,531	$ 9,798
Property operating expenses	15,845	3,913	9,191	6,656	2,149	7,059	3,037
Property NOI	$ 29,268	$ 6,371	$ 9,182	$ 9,746	$ 4,204	$ 9,472	$ 6,761
Share of Property NOI	*39.0%*	*8.5%*	*12.3%*	*13.0%*	*5.6%*	*12.6%*	*9.0%*

	Year ended December 31, 2014						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 180,163	$ 40,573	$ 71,232	$ 62,657	$ 26,559	$ 76,469	$ 42,651
Property operating expenses	58,521	15,233	32,856	24,776	8,921	33,615	13,788
Property NOI	$ 121,642	$ 25,340	$ 38,376	$ 37,881	$ 17,638	$ 42,854	$ 28,863
Share of Property NOI	*39.0%*	*8.1%*	*12.3%*	*12.1%*	*5.6%*	*13.7%*	*9.2%*

	Year ended December 31, 2013						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 168,842	$ 41,243	$ 66,899	$ 62,945	$ 28,332	$ 62,959	$ 32,099
Property operating expenses	53,870	14,650	30,318	23,765	7,887	26,515	9,531
Property NOI	$ 114,972	$ 26,593	$ 36,581	$ 39,180	$ 20,445	$ 36,444	$ 22,568
Share of Property NOI	*38.7%*	*9.0%*	*12.3%*	*13.2%*	*6.9%*	*12.3%*	*7.6%*

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at December 31, 2014 (excluding properties currently held for re-development and new developments in process), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q4-14 % Committed [1]	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Retail	97.2%	95.9%	97.5%	97.4%	97.3%	96.3%
Office	95.1%	93.9%	94.5%	94.0%	93.6%	93.6%
Industrial	95.4%	94.7%	93.6%	94.0%	96.3%	96.7%
Total portfolio	95.6%	94.6%	94.6%	94.6%	95.5%	95.5%

[1] Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2014.

(In thousands of Canadian dollars, unless otherwise noted)

Occupancy Report by Geographical Region

	Q4-14 % Committed [(1)]	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Canada:						
Alberta	96.3%	95.7%	95.5%	95.0%	95.2%	95.0%
British Columbia	97.1%	97.1%	96.8%	92.6%	96.3%	95.3%
Manitoba	94.8%	93.5%	95.0%	94.7%	95.2%	95.5%
Ontario	95.9%	95.7%	96.0%	95.9%	96.5%	96.8%
Saskatchewan	96.3%	93.1%	98.6%	98.2%	98.6%	99.0%
U.S.:						
Minnesota	94.3%	92.7%	90.9%	92.9%	94.4%	94.3%
Other	97.1%	96.5%	96.3%	96.0%	96.0%	96.3%
Total portfolio	95.6%	94.6%	94.6%	94.6%	95.5%	95.5%

(1) Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2014.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three month period ended December 31, 2014	2013	Year ended December 31, 2014	2013
Leasable area renewed	507,277	530,550	1,554,819	2,562,521
% Increase in rent rate	7.2%	7.5%	4.2%	7.2%

The percentage change on renewal activity is calculated by comparing the rental rate in place at the end of the expiring term to the rental rate in place at the commencement of the new term. In many cases, leases are negotiated or renewed such that there are contractual rent escalations over the course of the new lease term. In these cases, the average rent over the new term will be higher than the rate at commencement, which is not reflected in the above table results.

Lease Expiries by Asset Class (in S.F.) [(1)]

	Current Vacancy	Monthly Tenants [(2)]	2015	2016	2017	2018	2019 & later	Total
Office - uncommitted	456,402	50,369	609,045	774,261	1,030,387	982,090	4,477,956	8,380,510
Office - committed	107,819	-	633,869	58,325	1,693	16,637	32,791	851,134
Total office	564,221	50,369	1,242,914	832,586	1,032,080	998,727	4,510,747	9,231,644
Retail - uncommitted	187,553	30,710	255,336	519,601	358,764	526,966	2,442,973	4,321,903
Retail - committed	59,878	-	191,463	38,456	116,805	4,267	48,836	459,705
Total retail	247,431	30,710	446,799	558,057	475,569	531,233	2,491,809	4,781,608
Industrial - uncommitted	691,867	73,227	1,469,312	2,344,517	1,578,435	898,930	3,564,518	10,620,806
Industrial - committed	285,918	-	611,827	55,650	134,462	-	69,511	1,157,368
Total industrial	977,785	73,227	2,081,139	2,400,167	1,712,897	898,930	3,634,029	11,778,174
Total - uncommitted	1,335,822	154,306	2,333,693	3,638,379	2,967,586	2,407,986	10,485,447	23,323,219
Total - committed	453,615	-	1,437,159	152,431	252,960	20,904	151,138	2,468,207
Total	1,789,437	154,306	3,770,852	3,790,810	3,220,546	2,428,890	10,636,585	25,791,426

(1) Based on owned share of total leasable area.
(2) Includes holdovers and renewals where term has not been negotiated.

In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at December 31, 2014. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents

Artis reviews market rents across the portfolio on an on-going basis. Market rent estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents by Asset Class [1]

	2015	2016	2017	2018	2019 & later	Total
Office						
In-place rents	$ 18.69	$ 19.15	$ 19.25	$ 18.78	$ 18.56	$ 18.75
Market rents	19.21	19.25	20.61	19.56	19.99	19.83
Change	2.8%	0.5%	7.1%	4.1%	7.7%	5.8%
Revenue impact [2]	$ 650	$ 87	$ 1,403	$ 774	$ 6,430	$ 9,344
Retail						
In-place rents	$ 14.12	$ 20.33	$ 15.79	$ 22.80	$ 18.55	$ 18.54
Market rents	15.98	23.15	16.74	24.37	19.44	19.85
Change	13.2%	13.9%	6.0%	6.9%	4.8%	7.1%
Revenue impact [2]	$ 831	$ 1,572	$ 452	$ 830	$ 2,211	$ 5,896
Industrial						
In-place rents	$ 6.30	$ 6.78	$ 5.83	$ 5.51	$ 7.86	$ 6.80
Market rents	6.42	7.09	6.21	5.77	8.00	7.02
Change	1.8%	4.6%	6.5%	4.7%	1.7%	3.2%
Revenue impact [2]	$ 237	$ 746	$ 646	$ 233	$ 493	$ 2,355
Total portfolio						
In-place rents	$ 11.31	$ 11.49	$ 11.60	$ 14.75	$ 14.90	$ 13.33
Market rents	11.77	12.13	12.38	15.51	15.76	14.07
Change	4.0%	5.5%	6.7%	5.1%	5.8%	5.5%
Revenue impact [2]	$ 1,718	$ 2,405	$ 2,501	$ 1,837	$ 9,134	$ 17,595

(1) Based on owned share of total leasable area.

(2) This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Market rents at December 31, 2014 are estimated to be 5.5% above in-place rents across the portfolio compared to 6.5% at September 30, 2014 and 7.0% at December 31, 2013. Today's market rents for the 2015 and 2016 lease expiries are estimated to be 4.0% and 5.5%, respectively, above in-place rents. The office portfolio is still expected to be the strongest contributor to incremental rental revenue over the long-term.

(In thousands of Canadian dollars, unless otherwise noted)

Lease Expiries by Geographical Region (in S.F.) (1)

	Current Vacancy	Monthly Tenants (2)	2015	2016	2017	2018	2019 & later	Total
AB - uncommitted	244,041	27,647	376,391	955,208	515,482	674,227	3,055,830	5,848,826
AB - committed	37,267	-	572,024	59,467	5,137	-	19,535	693,430
Total Alberta	281,308	27,647	948,415	1,014,675	520,619	674,227	3,075,365	6,542,256
BC - uncommitted	104,166	13,638	83,656	253,824	115,448	123,803	846,484	1,541,019
BC - committed	-	-	108,761	1,032	106,393	-	1,270	217,456
Total British Columbia	104,166	13,638	192,417	254,856	221,841	123,803	847,754	1,758,475
MB - uncommitted	364,389	20,355	503,675	418,644	458,797	553,759	1,121,575	3,441,194
MB - committed	107,246	-	244,389	30,306	-	2,095	50,366	434,402
Total Manitoba	471,635	20,355	748,064	448,950	458,797	555,854	1,171,941	3,875,596
ON - uncommitted	146,563	40,050	422,843	704,117	606,479	153,163	1,530,028	3,603,243
ON - committed	153,150	-	78,502	8,777	1,360	12,633	12,447	266,869
Total Ontario	299,713	40,050	501,345	712,894	607,839	165,796	1,542,475	3,870,112
SK - uncommitted	53,209	5,700	105,659	58,332	231,887	152,375	613,789	1,220,951
SK - committed	45,936	-	111,298	17,571	5,275	4,267	33,225	217,572
Total Saskatchewan	99,145	5,700	216,957	75,903	237,162	156,642	647,014	1,438,523
MN - uncommitted	368,469	43,143	808,878	1,215,682	730,239	513,316	2,180,347	5,860,074
MN - committed	99,322	-	277,951	31,099	134,795	-	32,144	575,311
Total Minnesota	467,791	43,143	1,086,829	1,246,781	865,034	513,316	2,212,491	6,435,385
U.S. - Other - uncommitted	54,985	3,773	32,591	32,572	309,254	237,343	1,137,394	1,807,912
U.S. - Other - committed	10,694	-	44,234	4,179	-	1,909	2,151	63,167
Total U.S. - Other	65,679	3,773	76,825	36,751	309,254	239,252	1,139,545	1,871,079
Total - uncommitted	1,335,822	154,306	2,333,693	3,638,379	2,967,586	2,407,986	10,485,447	23,323,219
Total - committed	453,615	-	1,437,159	152,431	252,960	20,904	151,138	2,468,207
Total	1,789,437	154,306	3,770,852	3,790,810	3,220,546	2,428,890	10,636,585	25,791,426

(1) Based on owned share of total leasable area.

(2) Includes holdovers and renewals where term has not been negotiated.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Geographical Region (1)

	2015	2016	2017	2018	2019 & later	Total
Alberta						
In-place rents	$ 16.26	$ 18.27	$ 20.44	$ 20.05	$ 18.19	$ 18.30
Market rents	16.41	19.58	21.07	21.08	19.87	19.53
Change	0.9%	7.2%	3.1%	5.2%	9.3%	6.7%
Revenue impact (2)	$ 144	$ 1,335	$ 325	$ 698	$ 5,174	$ 7,676
British Columbia						
In-place rents	$ 19.45	$ 19.65	$ 12.89	$ 25.04	$ 14.00	$ 16.20
Market rents	18.19	20.12	12.86	25.16	14.34	16.31
Change	(6.5)%	2.4%	(0.2)%	0.5%	2.4%	0.6%
Revenue impact (2)	$ (243)	$ 119	$ (6)	$ 14	$ 287	$ 171
Manitoba						
In-place rents	$ 10.51	$ 10.44	$ 12.66	$ 8.12	$ 15.43	$ 12.10
Market rents	12.33	11.77	14.92	9.24	15.88	13.33
Change	17.4%	12.8%	17.9%	13.8%	2.9%	10.1%
Revenue impact (2)	$ 1,364	$ 598	$ 1,037	$ 621	$ 528	$ 4,148
Ontario						
In-place rents	$ 8.63	$ 7.88	$ 6.74	$ 9.08	$ 11.45	$ 9.41
Market rents	8.54	7.96	6.78	10.65	11.81	9.65
Change	(1.0)%	1.0%	0.6%	17.3%	3.1%	2.5%
Revenue impact (2)	$ (44)	$ 56	$ 23	$ 261	$ 545	$ 841
Saskatchewan						
In-place rents	$ 10.23	$ 20.08	$ 10.13	$ 19.42	$ 16.33	$ 14.81
Market rents	11.11	21.04	11.43	19.77	17.05	15.63
Change	8.5%	4.8%	12.8%	1.8%	4.4%	5.5%
Revenue impact (2)	$ 189	$ 73	$ 307	$ 55	$ 469	$ 1,093
Minnesota						
In-place rents	$ 6.71	$ 5.83	$ 6.39	$ 11.06	$ 8.52	$ 7.53
Market rents	6.73	5.97	7.13	10.80	8.98	7.82
Change	0.3%	2.4%	11.6%	(2.4)%	5.4%	3.9%
Revenue impact (2)	$ 24	$ 172	$ 639	$ (135)	$ 1,022	$ 1,722
U.S. - Other						
In-place rents	$ 23.31	$ 25.22	$ 19.49	$ 18.71	$ 22.43	$ 21.52
Market rents	27.01	26.65	20.06	20.06	23.40	22.60
Change	15.9%	5.7%	2.9%	7.2%	4.3%	5.0%
Revenue impact (2)	$ 284	$ 52	$ 176	$ 323	$ 1,109	$ 1,944
Total portfolio						
In-place rents	$ 11.31	$ 11.49	$ 11.60	$ 14.75	$ 14.90	$ 13.33
Market rents	11.77	12.13	12.38	15.51	15.76	14.07
Change	4.0%	5.5%	6.7%	5.1%	5.8%	5.5%
Revenue impact (2)	$ 1,718	$ 2,405	$ 2,501	$ 1,837	$ 9,134	$ 17,595

(1) Based on owned share of total leasable area.

(2) This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At December 31, 2014, the three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Twin Cities Area industrial properties and Winnipeg office properties.

(In thousands of Canadian dollars, unless otherwise noted)

Lease Expiries for Calgary Office Segment (in S.F.) (1)

	Current Vacancy	Monthly Tenants (2)	2015	2016	2017	2018	2019 & later	Total
Calgary - uncommitted	116,880	13,876	113,800	249,686	255,782	236,193	1,151,986	2,138,203
Calgary - committed	27,659	-	310,361	54,146	-	-	4,248	396,414
Total Calgary office	144,539	13,876	424,161	303,832	255,782	236,193	1,156,234	2,534,617
Other - uncommitted	339,522	36,493	495,245	524,575	774,605	745,897	3,325,970	6,242,307
Other - committed	80,160	-	323,508	4,179	1,693	16,637	28,543	454,720
Total other office	419,682	36,493	818,753	528,754	776,298	762,534	3,354,513	6,697,027

(1) Based on owned share of total leasable area.

(2) Includes holdovers and renewals where term has not been negotiated.

The market rents reported in the below table are reflective of management's estimates for today's market rent rates. They do not allow for the impact of inflation. The 2015 and 2016 Calgary office market rents were revised at Q4-14 to reflect management's estimate of the impact of the recent decline in oil prices on the Calgary office market.

Market Rents for Calgary Office Segment (1)

	2015	2016	2017	2018	2019 & later	Total
Calgary office						
In-place rents	$ 20.80	$ 23.72	$ 24.11	$ 22.97	$ 20.90	$ 21.79
Market rents	19.51	21.86	24.54	23.18	24.36	23.08
Change	(6.2)%	(7.9)%	1.8%	0.9%	16.6%	5.9%
Revenue impact (2)	$ (548)	$ (566)	$ 109	$ 48	$ 4,011	$ 3,054
Other office						
In-place rents	$ 17.59	$ 16.52	$ 17.65	$ 17.49	$ 17.76	$ 17.59
Market rents	19.06	17.76	19.32	18.44	18.48	18.59
Change	8.3%	7.5%	9.4%	5.4%	4.1%	5.7%
Revenue impact (2)	$ 1,198	$ 653	$ 1,294	$ 726	$ 2,419	$ 6,290

(1) Based on owned share of total leasable area.

(2) This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Calgary office properties represent 17.7% of the Q4-14 Property NOI and 9.8% of the overall portfolio by GLA. 41.2% of the Calgary office GLA is located downtown, 36.1% is suburban and 22.7% is beltline. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 7.0% at December 31, 2014, an increase from 6.6% at September 30, 2014. At December 31, 2014, the Calgary office segment of Artis' portfolio was 94.3% occupied, decreased from 95.9% at September 30, 2014. Artis has commitments in place for 19.1% of the unoccupied space. In 2015, 424,161 square feet comes up for renewal, which represents 1.6% of the portfolio's GLA; 73.2% has been renewed or committed to new leases. Approximately 45.6% of the Calgary office GLA expires in 2019 or later.

The Twin Cities Area industrial properties represent 7.7% of the Q4-14 Property NOI and 19.3% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, increased from 5.2% at September 30, 2014 to 5.3% at December 31, 2014, with 516,328 square feet of positive absorption reported for the quarter. As per CBRE, this was the eighteenth consecutive quarter of positive absorption for this market. Average asking market lease rate was $4.98 per square foot compared to $4.99 per square foot at September 30, 2014. Occupancy in this segment of the portfolio was 93.2% at December 31, 2014 compared to 90.9% at September 30, 2014. Artis has commitments in place for 11.3% of the unoccupied space. In 2015, 960,217 square feet comes up for renewal, which represents 3.7% of the portfolio's GLA; commitments are in place for 28.1% of the expiring space.

Winnipeg office properties represent 6.7% of the Q4-14 Property NOI and 5.7% of the overall portfolio by GLA. Artis' office properties are located in the downtown Winnipeg area, with several buildings on or adjacent to the intersection of Portage and Main. Overall direct vacancy in the Winnipeg office market, as reported by CBRE, was 9.7% at December 31, 2014, which was a decrease from 10.5% at September 30, 2014. At December 31, 2014, the Winnipeg office segment of Artis' portfolio was 93.1% occupied, down from 94.6% at September 30, 2014. In 2015, 327,553 square feet comes up for renewal, which represents 1.3% of the portfolio's GLA; 42.5% has been renewed or committed to new leases. Approximately 41.1% of the Winnipeg office GLA expires in 2019 or later.

(In thousands of Canadian dollars, unless otherwise noted)

CORPORATE EXPENSES

	Three month period ended December 31, 2014	Three month period ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Accounting, legal and consulting	$ 589	$ 456	$ 1,669	$ 1,410
Public company costs	391	293	1,537	1,234
Unit-based compensation	378	489	1,640	1,827
Salaries and benefits	784	764	3,125	2,482
Depreciation	146	154	575	511
General and administrative	394	548	1,715	2,249
Total corporate expenses	$ 2,682	$ 2,704	$ 10,261	$ 9,713

Corporate expenses in 2014 were $10,261 (Q4-14 - $2,682), or 2.0% (Q4-14 - 2.0%) of gross revenues compared to $9,713 (Q4-13 - $2,704), or 2.1% (Q4-13 - 2.2%) of gross revenues in 2013.

INTEREST EXPENSE

	Three month period ended December 31, 2014	Three month period ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Mortgages and other loans (1)	$ 22,409	$ 23,441	$ 91,107	$ 90,775
Debentures (1)	4,413	2,567	14,491	10,268
Other (1)	61	144	534	908
	$ 26,883	$ 26,152	$ 106,132	$ 101,951
Foreign exchange	785	291	2,414	664
Total interest expense	$ 27,668	$ 26,443	$ 108,546	$ 102,615

(1) Amounts shown are in Canadian and US dollars.

Interest expense in 2014 has increased primarily due to the Series A senior unsecured debentures issued on March 27, 2014 and on September 10, 2014. Financing costs on mortgages, other loans and debentures are netted against the related debt, and amortized on an effective interest basis over the expected life of the debt.

The REIT's weighted-average effective rate at December 31, 2014 on mortgages and other loans secured by properties was 4.18%, decreased from 4.27% at December 31, 2013. The weighted-average nominal interest rate at December 31, 2014 was 4.04% decreased from 4.10% at December 31, 2013.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.80 times for the year ended December 31, 2014 (Q4-14 - 2.80 times) compared to 2.82 times for the year ended December 31, 2013 (Q4-13 - 2.75 times).

NET (LOSS) INCOME FROM INVESTMENTS IN JOINT VENTURES

Artis recorded a net loss from investments in joint ventures of $3,987 (Q4-14 - net loss of $4,104) in 2014 compared to net income of $7,456 (Q4-13 - net income of $5,581) in 2013. This includes revenue earned from the REIT's joint ventures, net of property operating expenses, interest expense and the fair value gains or losses on investment properties. Artis recorded a fair value loss on investment properties in joint ventures of $7,355 (Q4-14 - loss of $5,068) in 2014, compared to a gain of $5,893 (Q4-13 - gain of $5,040) in 2013. Fair value losses in 2014 are primarily due to delays to lease commencement dates, increased construction costs and revised cash flow projections for the Centrepoint development project.

FAIR VALUE GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, year-over-year, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. External valuations are performed quarterly on a rotational basis over a four year cycle. In 2014, the fair value gain on investment properties is $38,831 (Q4-14 - gain of $19,248) compared to a gain of $4,385 (Q4-13 - loss of $56,588) in 2013. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. Capitalization rate compression in the Saskatchewan retail segment and Alberta industrial market have contributed to the fair value gain in Q4-14.

FOREIGN CURRENCY TRANSLATION LOSS

In 2014, the REIT held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This resulted in a foreign currency translation loss of $21,890 (Q4-14 - $4,295) in 2014, compared to a loss of $7,569 (Q4-13 - $2,915) in 2013. The foreign currency translation loss in 2014 is primarily due to the strengthening of the US dollar and its effect on the net liability position of the REIT's assets and liabilities denominated in US dollars and the realization of foreign currency swap contracts on cash invested in the U.S.

(In thousands of Canadian dollars, unless otherwise noted)

TRANSACTION COSTS

During 2014, $2,490 (Q4-14 - $844) of transaction costs were expensed compared to $5,685 (Q4-13 - $314) in 2013. Transaction costs are primarily attributable to the acquisition of investment properties and joint ventures.

(LOSS) GAIN ON FINANCIAL INSTRUMENTS

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of $8,558 (Q4-14 - loss of $3,330) in 2014, compared to an unrealized gain of $5,981 (Q4-13 - gain of $1,164) in 2013. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

OTHER COMPREHENSIVE INCOME

Other comprehensive income includes the unrealized foreign currency translation gain in 2014 of $66,844 (Q4-14 - $25,466) compared to a gain of $27,100 (Q4-13 - $14,563) in 2013. Foreign currency translation gains relate to the REIT's net investment in operations in the U.S.

INCOME TAX

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

The REIT's U.S. subsidiaries are REITs for U.S. income tax purposes. The subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current U.S. income taxes. The U.S. subsidiaries are subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

DISTRIBUTIONS

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. During the year, distributions are based on estimates of full year cash flow and capital spending; thus distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources. In addition, the distributions declared include a component funded by the DRIP.

	Three month period ended December 31, 2014	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Cash flow from operations	$ 54,008	$ 204,705	$ 194,507	$ 151,738
Net income	56,611	197,886	191,155	340,339
Distributions declared	41,215	161,330	146,459	117,948
Excess of cash flow from operations over distributions declared	12,793	43,375	48,048	33,790
Excess of net income over distributions declared	15,396	36,556	44,696	222,391

Artis' primary objective is to provide stable, reliable and tax efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared for the past ten consecutive quarters and net income has exceeded distributions declared for the past three quarters. Previously, shortfalls in net income over distributions declared have been primarily due to the impact of non-cash fair value losses on investment properties.

For the year ended December 31, 2014, cash flow from operations exceeded distributions declared by $43,375 (Q4-14 - $12,793) and net income exceeded distributions declared by $36,556 (Q4-14 - $15,396).

Artis declared distributions of $161,330 (Q4-14 - $41,215) to unitholders in 2014, of which $25,332 (Q4-14 - $6,412) was paid through the DRIP.

FUNDS FROM OPERATIONS ("FFO")

Consistent with the application of National Policy 41-201 Income Trusts and Other Indirect Offerings, Artis reconciles FFO to cash flows from operating activities, in addition to the net income.

(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of Cash Flows from Operations to FFO

000's, except per unit amounts	Three month period ended December 31, 2014	2013	% Change	Year ended December 31, 2014	2013	% Change
Cash flow from operations	$ 54,008	$ 42,354		$ 204,705	$ 197,241	
Add (deduct):						
Depreciation of property and equipment	(146)	(154)		(575)	(511)	
Amortization of above- and below-market mortgages, net	419	459		1,787	1,801	
Straight-line rent adjustment	1,199	1,172		4,677	5,543	
Adjustment for investments in joint ventures	894	566		3,132	1,601	
Realized foreign currency translation (gain) loss	(289)	(148)		13,825	1,634	
Unrealized foreign currency (loss) gain from U.S. operations	(2,815)	73		(11,963)	(4,016)	
Unit-based compensation expense	(378)	(489)		(1,640)	(1,827)	
Accretion on liability component of debentures	166	85		475	327	
Amortization of financing costs included in interest	(770)	(761)		(3,018)	(3,143)	
Other long-term employee benefits	(844)	-		(844)	-	
Transaction costs on acquisitions	844	314		2,490	5,685	
Changes in non-cash operating items	1,316	6,299		(3,252)	(6,863)	
Incremental leasing costs	472	-		1,324	-	
Preferred unit distributions	(4,461)	(4,366)		(17,662)	(14,005)	
FFO	$ 49,615	$ 45,404	9.3%	$ 193,461	$ 183,467	5.4%
Deduct:						
Lease termination income received from tenants	(73)	(219)		(176)	(6,484)	
FFO after adjustments	$ 49,542	$ 45,185	9.6%	$ 193,285	$ 176,983	9.2%
FFO per unit						
Basic	$ 0.36	$ 0.36	-%	$ 1.46	$ 1.50	(2.7)%
Diluted	$ 0.36	$ 0.35	2.9%	$ 1.42	$ 1.46	(2.7)%
FFO per unit after adjustments						
Basic	$ 0.36	$ 0.36	-%	$ 1.46	$ 1.45	0.7%
Diluted	$ 0.36	$ 0.35	2.9%	$ 1.42	$ 1.41	0.7%
Weighted-average number of common units outstanding:						
Basic	136,055	126,728		132,554	122,406	
Diluted [(1)]	146,600	137,322		143,116	133,071	

[(1)] Options, convertible debentures, restricted units and deferred units are factored into the diluted weighted-average calculation used for FFO, to the extent that their impact is dilutive.

In 2014, FFO after adjustments has increased due to acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange.

As a result of units issued under the DRIP and units issued from public offerings, basic units outstanding for the calculation of FFO has substantially increased. This increase has diluted the impact of strong growth in FFO on per unit results.

(In thousands of Canadian dollars, unless otherwise noted)

The following is a reconciliation of the weighted-average number of basic common units to diluted common units and FFO to diluted FFO:

Diluted Common Units Reconciliation

		Three month period ended December 31,
	2014	2013
Basic units	136,055	126,728
Add:		
Options [1]	110	76
Debentures [1]	10,200	10,426
Restricted units [1]	233	92
Deferred units [1]	2	-
Diluted units	146,600	137,322

Diluted FFO Reconciliation

		Three month period ended December 31,
	2014	2013
FFO	$ 49,615	$ 45,404
Add:		
Options [1]	-	-
Debentures [1]	2,640	2,601
Restricted units [1]	(55)	11
Deferred units [1]	(2)	-
Diluted FFO	$ 52,198	$ 48,016

[1] All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in Q4-14. All in-the-money options, convertible debenture series and restricted units are dilutive in Q4-13.

Diluted Common Units Reconciliation

		Year ended December 31,
	2014	2013
Basic units	132,554	122,406
Add:		
Options [1]	145	173
Debentures [1]	10,200	10,426
Restricted units [1]	217	66
Deferred units [1]	-	-
Diluted units	143,116	133,071

Diluted FFO Reconciliation

		Year ended December 31,
	2014	2013
FFO	$ 193,461	$ 183,467
Add:		
Options [1]	-	-
Debentures [1]	10,333	10,231
Restricted units [1]	(51)	(11)
Deferred units [1]	(2)	-
Diluted FFO	$ 203,741	$ 193,687

[1] All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in 2014. All in-the-money options, convertible debenture series, and restricted units are dilutive in 2013.

Reconciliation of GAAP Net Income to FFO

		Three month period ended December 31,		Year ended December 31,
	2014	2013	2014	2013
Net income	$ 56,611	$ (6,702)	$ 197,886	$ 191,155
Add amortization on:				
Tenant inducements amortized to revenue	2,698	2,919	10,412	9,291
Add (deduct):				
Fair value (gain) loss on investment properties	(19,248)	56,588	(38,831)	(4,385)
Foreign currency translation loss	4,295	2,915	21,890	7,569
Transaction costs on acquisitions	844	314	2,490	5,685
Adjustment for investments in joint ventures	5,123	(5,015)	7,515	(5,855)
Unrealized loss (gain) on financial instruments	3,281	(1,249)	8,437	(5,988)
Incremental leasing costs	472	-	1,324	-
Preferred unit distributions	(4,461)	(4,366)	(17,662)	(14,005)
FFO	$ 49,615	$ 45,404	$ 193,461	$ 183,467
Deduct:				
Termination income received from tenants	(73)	(219)	(176)	(6,484)
FFO after adjustments	$ 49,542	$ 45,185	$ 193,285	$ 176,983

(In thousands of Canadian dollars, unless otherwise noted)

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Actual capital expenditures, which are neither revenue enhancing nor recoverable from tenants in future periods, are by nature variable and unpredictable. The allowance applied in the calculation of AFFO reflects management's best estimate of a reasonable annual capital expenditure on a long-term basis, based on the asset class mix and age and quality of the Artis portfolio properties.

Actual leasing costs, which include tenant improvements that are not capital in nature, tenant allowances and commissions, are also variable in nature. Leasing costs will fluctuate depending on the square footage of leases rolling over, in-place rates at expiry, tenant retention and local market conditions in a given year. The allowance applied in the calculation of AFFO reflects management's estimate of normalized leasing costs over the long-term, based on the asset class mix, tenant mix and conditions in Artis' target markets.

Reconciliation of FFO to AFFO

000's, except per unit amounts	Three month period ended December 31, 2014	Three month period ended December 31, 2013	% Change	Year ended December 31, 2014	Year ended December 31, 2013	% Change
FFO after adjustments	$ 49,542	$ 45,185		$ 193,285	$ 176,983	
Add (deduct):						
Capital expenditures reserve	(1,344)	(1,247)		(5,105)	(4,417)	
Leasing costs reserve	(5,373)	(4,987)		(20,418)	(18,489)	
Straight-line rent adjustments [1]	(1,232)	(1,200)		(4,817)	(5,627)	
Unit-based compensation	378	489		1,640	1,827	
AFFO [2]	$ 41,971	$ 38,240	9.8%	$ 164,585	$ 150,277	9.5%
AFFO per unit						
Basic	$ 0.31	$ 0.30	3.3%	$ 1.24	$ 1.23	0.8%
Diluted	$ 0.31	$ 0.30	3.3%	$ 1.23	$ 1.21	1.7%

[1] This includes straight-line rent adjustments included in the REIT's investments in joint ventures.
[2] Calculated after adjustments for lease termination income received from tenants.

In 2014, AFFO has increased due to acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange.

ANALYSIS OF FINANCIAL POSITION

ASSETS

	December 31, 2014	December 31, 2013	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under development	$ 5,283,171	$ 4,899,158	$ 384,013
Investments in joint ventures	98,072	42,434	55,638
Other non-current assets	21,644	21,613	31
Current assets:			
Cash, cash equivalents and cash held in trust	55,780	53,775	2,005
Other current assets	20,185	25,057	(4,872)
	$ 5,478,852	$ 5,042,037	$ 436,815

(In thousands of Canadian dollars, unless otherwise noted)

Investment Properties and Investment Properties Under Development

The change in investment properties and investment properties under development is a result of the following:

	Investment properties	Investment properties under development	Total
Balance, December 31, 2013	$ 4,851,877	$ 47,281	$ 4,899,158
Additions:			
Acquisitions	187,028	14,560	201,588
Capital expenditures	21,522	21,178	42,700
Leasing costs	8,240	1,146	9,386
Dispositions	(20,407)	-	(20,407)
Reclassification of investment properties under development	2,338	(2,338)	-
Foreign currency translation gain	97,707	1,089	98,796
Straight-line rent adjustment	4,655	22	4,677
Tenant inducement additions, net of amortization	8,816	510	9,326
Contingent consideration adjustment	(884)	-	(884)
Fair value gain (loss)	40,597	(1,766)	38,831
Balance, December 31, 2014	$ 5,201,489	$ 81,682	$ 5,283,171

Acquisitions:

The results of operations for the acquired properties are included in the REIT's accounts from the dates of acquisition. Artis funded these acquisitions from cash on hand and from the proceeds of new or assumed mortgage financing. The acquisitions have been accounted for using the acquisition method.

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Cash consideration	$ 54,932	$ 3,496	$ 141,205	$ 274,485
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	20,159	13	60,383	223,479
Total	$ 75,091	$ 3,509	$ 201,588	$ 497,964

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Revenue enhancing capital expenditures increase the revenue generating potential of the property. Non-revenue enhancing capital expenditures primarily relate to exterior and interior upgrades, roof replacements, HVAC replacements and parking lot improvement. Recoverable capital expenditures are recoverable from tenants in future periods.

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Revenue enhancing	$ 7,410	$ 16,747	$ 22,765	$ 41,887
Recoverable from tenants	5,113	2,644	10,397	8,092
Non-recoverable	2,654	2,179	9,538	9,650
Total capital expenditures	$ 15,177	$ 21,570	$ 42,700	$ 59,629

Leasing costs and tenant inducements:

Tenant inducements include costs incurred to improve the space that primarily benefit the tenant, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions.

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Tenant inducements	$ 5,614	$ 6,961	$ 19,738	$ 18,431
Leasing costs	3,266	2,516	9,386	8,472
Total	$ 8,880	$ 9,477	$ 29,124	$ 26,903

(In thousands of Canadian dollars, unless otherwise noted)

Dispositions:

During 2014, Artis sold an industrial property in the Greater Toronto Area, Ontario, an industrial property in the Twin Cities Area, Minnesota and a retail property located in the Greater Vancouver Regional District, British Columbia. The aggregate sale price of these properties was $21,125. The cash proceeds, net of costs of $718 and related debt of $2,311, were $18,096. These properties were sold as a result of unsolicited offers.

Foreign currency translation gain:

In 2014, the foreign currency translation gain on investment properties was $98,796 (Q4-14 - $40,992) due to the change in the year end US dollar to Canadian dollar exchange rate from 1.0636 at December 31, 2013 to 1.1601 at December 31, 2014.

Fair value gain (loss) on investment properties:

In 2014, the REIT recorded a gain on the fair value of investment properties of $38,831 (Q4-14 - gain of $19,248). In 2013, the REIT recorded a gain of $4,385 (Q4-13 - loss of $56,588). The year-over-year increase in the fair value gain is primarily due to capitalization rates for Class B buildings in the Calgary downtown office market expanding through the latter part of 2013 and remaining relatively stable through 2014, as well as capitalization rate compression in the REIT's U.S. portfolio. From December 31, 2013 to December 31, 2014, the REIT reflected approximately 18 basis points of compression in the weighted-average capitalization rates across the U.S. portfolio. In comparison, from December 31, 2012 to December 31, 2013, the REIT reflected approximately seven basis points of compression in the weighted-average capitalization rates across the U.S. portfolio. The fair value gain for Q4-14 is primarily attributed to capitalization rate compression in the Saskatchewan retail segment and Alberta industrial market. The fair value loss for Q4-13 was primarily attributed to capitalization rate expansion in Class B buildings in the Calgary downtown office market, as well as adjustments to expected market rents and increases to forecasted capital expenditures and tenant inducements across the Canadian portfolio.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 4.5% to 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	December 31, 2014			December 31, 2013		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.50%	6.00%	6.85%	8.50%	6.00%	7.00%
Canada	8.00%	5.25%	6.19%	7.75%	5.25%	6.15%
Office total	8.50%	5.25%	6.34%	8.50%	5.25%	6.32%
Industrial:						
U.S.	8.00%	6.00%	6.88%	8.00%	6.50%	7.12%
Canada	7.75%	4.50%	6.33%	7.50%	5.75%	6.48%
Industrial total	8.00%	4.50%	6.50%	8.00%	5.75%	6.68%
Retail:						
U.S.	8.75%	6.00%	7.12%	8.75%	6.00%	7.28%
Canada	8.25%	5.50%	6.24%	7.50%	5.50%	6.31%
Retail total	8.75%	5.50%	6.29%	8.75%	5.50%	6.36%
Total:						
U.S. portfolio	8.75%	6.00%	6.88%	8.75%	6.00%	7.06%
Canadian portfolio	8.25%	4.50%	6.23%	7.75%	5.25%	6.26%
Total portfolio	8.75%	4.50%	6.37%	8.75%	5.25%	6.41%

Investments in Joint Ventures

At December 31, 2014, the REIT had $98,072 invested in joint ventures, compared to $42,434 at December 31, 2013. The increase is primarily due to the REIT acquiring an interest in and contributing cash to Park Lucero, Hudson's Bay Centre and Corridor Park during 2014.

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of $31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at December 31, 2014 is $20,748 compared to $20,464 at December 31, 2013.

Cash and Cash Equivalents

At December 31, 2014, the REIT had $49,807 of cash and cash equivalents on hand, compared to $48,222 at December 31, 2013. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

(In thousands of Canadian dollars, unless otherwise noted)

LIABILITIES

	December 31, 2014	December 31, 2013	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	$ 1,868,857	$ 2,006,614	$ (137,757)
Senior unsecured debentures	199,527	-	199,527
Convertible debentures	189,573	181,282	8,291
Other non-current liabilities	1,144	81	1,063
Current liabilities:			
Current portion of mortgages and loans payable	393,197	280,983	112,214
Current portion of convertible debentures	-	3,982	(3,982)
Other current liabilities	97,249	84,848	12,401
Bank indebtedness	300	-	300
	$ 2,749,847	$ 2,557,790	$ 192,057

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of gross book value ("GBV"). GBV is calculated as the consolidated net book value of the consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment as disclosed in the balance sheet and notes thereto.

Artis' secured mortgages and loans to GBV ratio at December 31, 2014 was 41.3%, compared to 45.4% at December 31, 2013.

	December 31, 2014	December 31, 2013
GBV	$ 5,480,644	$ 5,043,254
Secured mortgages and loans	2,262,054	2,287,597
Secured mortgages and loans to GBV	41.3%	45.4%
Preferred shares liability	$ 300	$ 81
Carrying value of debentures	389,100	185,264
Bank indebtedness	300	-
Total long-term debt and bank indebtedness	2,651,754	2,472,942
Total long-term debt and bank indebtedness to GBV	48.4%	49.0%

Long-term debt is comprised of mortgages and other loans related to properties as well as the carrying value of senior unsecured debentures and convertible debentures issued by the REIT.

Artis REIT has an internal policy of maintaining a total debt to GBV ratio of 70% or lower. The Trustees have approved a guideline stipulating that for purposes of compliance with this policy, preferred units would be added to the debt component of the calculation. At December 31, 2014, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 54.3%.

Artis' unencumbered assets to senior unsecured debentures ratio was 3.3 times at December 31, 2014.

	December 31, 2014	December 31, 2013
Unencumbered assets [(1)]	$ 664,792	$ 227,668
Senior unsecured debentures	199,527	-
Unencumbered assets to senior unsecured debentures	3.3	-

(1) This includes balances included in the REIT's investments in joint ventures.

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In 2014, $58,603 (Q4-14 - $14,798) of principal repayments were made compared to $54,705 (Q4-13 - $14,411) in 2013.

During 2014, long-term debt including acquired above- and below-market mortgages, net of financing costs, added on acquisitions of investment properties was $60,383 (Q4-14 - $20,159). The weighted-average interest rate on these mortgages was 2.60% and the weighted-average term to maturity was 4.1 years.

(In thousands of Canadian dollars, unless otherwise noted)

In 2014, Artis repaid 11 maturing mortgages in the amount of $113,506. Artis received new and upward financing on four mortgages, net of financing costs, of $37,139. The weighted-average interest rate on new mortgage financing obtained during the year was 2.96% and the weighted-average term to maturity was 6.2 years.

The weighted-average term to maturity on all mortgages and loans payable at December 31, 2014 is 3.9 years, compared to 4.3 years at December 31, 2013.

Unhedged variable rate mortgage debt:

Management believes that a percentage of variable rate debt is prudent in managing a portfolio of debt. At various times, management feels that 5% to 15% of the portfolio could be held in variable rate instruments and provide the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At December 31, 2014, the REIT is a party to $242,582 of unhedged variable rate mortgage debt compared to $251,974 at December 31, 2013. This decrease is primarily due to new swaps on existing mortgages of $41,148, repayment on three variable rate mortgages in the amount of $38,863, and by principal repayments during the year of $5,999 offset by new variable rate mortgage financing of $56,369 and the effect of foreign exchange of $20,249. The unhedged variable rate mortgage debt is 9.1% of total debt at December 31, 2014 compared to 10.2% at December 31, 2013.

Senior Unsecured Debentures

At December 31, 2014, the carrying value of the senior unsecured debentures was $199,527, compared to $nil at December 31, 2013. This increase is due to the issuance of the Series A senior unsecured debentures on March 27, 2014 and September 10, 2014.

Convertible Debentures

Artis has two series of convertible debentures outstanding, as follows:

				December 31, 2014		December 31, 2013	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series D	30-Nov-07	30-Nov-14	5.00%	$ -	$ -	$ 3,982	$ 4,000
Series F	22-Apr-10	30-June-20	6.00%	85,180	86,170	85,034	86,170
Series G	21-Apr-11	30-June-18	5.75%	104,393	102,089	96,248	93,597
				$ 189,573	$ 188,259	$ 185,264	$ 183,767

The carrying value of convertible debentures has increased by $4,309 from December 31, 2013. This increase is primarily due to foreign exchange on the Series G debentures offset by a $2,500 redemption of Series D debentures on January 15, 2014 and the redemption of the remaining balance of the Series D debentures of $1,500 for cash on December 1, 2014.

Other Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, security deposits and prepaid rent, as well as accrued distributions payable to unitholders of $12,929, of which $12,266 was subsequently paid on January 15, 2015 and the remainder was paid on February 2, 2015. At December 31, 2014, there is no balance drawn on the REIT's unsecured revolving term credit facilities. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2014, there is a balance of $300 drawn on the Cliveden revolving term credit facility. Amounts drawn on this facility bear interest at prime plus 0.20%.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by $244,758 between December 31, 2013 and December 31, 2014. The increase was primarily due to net income for the period of $197,886, the issuance of units for $141,855 and an unrealized foreign currency translation gain included in other comprehensive income of $66,844. This increase was partially offset by distributions made to unitholders of $162,305.

LIQUIDITY AND CAPITAL RESOURCES

In 2014, Artis generated $204,705 of cash flows from operating activities. Cash flows from operations funded distributions to unitholders of $161,463. Cash of $58,603 was used for principal repayments on mortgages and loans.

Cash of $71,824 was used for capital building improvements, tenant inducements and leasing costs in 2014.

At December 31, 2014, Artis had $49,807 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

On December 17, 2014, the REIT entered into two unsecured revolving term credit facilities in the aggregate amount of $125,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At December 31, 2014, the REIT had no balance drawn on the facilities.

At December 31, 2014, the REIT has 41 unencumbered properties and six unencumbered parcels of development land, representing a fair value of $664,792.

To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants for the year ended December 31, 2014.

(In thousands of Canadian dollars, unless otherwise noted)

The REIT's management expects to meet all of its short-term obligations and capital commitments with respect to properties through funds generated from operations, from the proceeds of mortgage refinancing, from the issuance of new debentures or units, and cash on hand.

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	$ 300	$ 300	$ -	$ -	$ -
Accounts payable and other liabilities[1]	71,751	71,751	-	-	-
Convertible debentures[2]	188,259	-	-	102,089	86,170
Senior unsecured debentures[2]	200,000	-	-	200,000	-
Mortgages and loans payable[1]	2,329,164	408,963	989,401	346,594	584,206
Total	$ 2,789,474	$ 481,014	$ 989,401	$ 648,683	$ 670,376

[1] This includes balances included in the REIT's investments in joint ventures.
[2] It is assumed that none of the debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

At December 31, 2014, the REIT's schedule of mortgage maturities, inclusive of balances in the REIT's investments in joint ventures, is as follows:

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted-average nominal interest rate
2015	$ 351,161	17.3%	$ 57,802	$ 408,963	4.42%
2016	366,110	18.1%	49,088	415,198	3.91%
2017	536,953	26.5%	37,250	574,203	4.23%
2018	153,731	7.6%	23,627	177,358	3.67%
2019	142,352	7.0%	26,884	169,236	3.33%
2020 & later	476,000	23.5%	108,206	584,206	3.81%
Total	$ 2,026,307	100.0%	$ 302,857	$ 2,329,164	4.00%
Weighted-average term to maturity in years					3.9

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Revenue	$ 131,584	$ 125,425	$ 119,896	$ 123,653	$ 122,870	$ 121,032	$ 110,737	$ 108,779
Property operating expenses	51,789	46,776	42,827	46,318	47,850	42,425	38,998	37,263
Net operating income	79,795	78,649	77,069	77,335	75,020	78,607	71,739	71,516
Other income (expenses):								
Corporate expenses	(2,682)	(2,467)	(2,582)	(2,530)	(2,704)	(2,322)	(2,354)	(2,333)
Interest expense	(27,668)	(26,946)	(27,342)	(26,590)	(26,443)	(26,223)	(25,308)	(24,641)
Interest income	442	464	521	391	412	507	624	483
Net (loss) income from investments in joint ventures	(4,104)	(472)	(165)	754	5,581	769	1,106	-
Fair value gain (loss) on investment properties	19,248	11,725	18,565	(10,707)	(56,588)	(2,886)	29,035	34,824
Foreign currency translation (loss) gain	(4,295)	(4,834)	(8,406)	(4,355)	(2,915)	1,353	(4,622)	(1,385)
Transaction costs	(844)	(162)	(1,396)	(88)	(314)	(299)	(3,589)	(1,483)
(Loss) gain on financial instruments	(3,281)	860	(2,792)	(3,224)	1,249	(528)	4,671	596
Net income (loss)	56,611	56,817	53,472	30,986	(6,702)	48,978	71,302	77,577
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	25,466	32,513	(9,637)	18,502	14,563	(8,515)	14,783	6,269
Comprehensive income	$ 82,077	$ 89,330	$ 43,835	$ 49,488	$ 7,861	$ 40,463	$ 86,085	$ 83,846
Net income (loss) per unit attributable to common unitholders:								
Basic	$ 0.38	$ 0.39	$ 0.37	$ 0.21	$ (0.09)	$ 0.36	$ 0.56	$ 0.65
Diluted	$ 0.37	$ 0.38	$ 0.36	$ 0.21	$ (0.09)	$ 0.35	$ 0.53	$ 0.62
Secured mortgages and loans to GBV	41.3%	41.4%	42.8%	44.1%	45.4%	45.0%	45.4%	46.1%

The quarterly trend for revenues and property NOI has been impacted by acquisition and disposition activity, the impact of foreign exchange and lease termination income. Management anticipates there will be further growth in revenues and Property NOI as acquisitions completed in 2013 and 2014 contribute to operating results. Net income and per unit amounts are also impacted by the fair value gains and losses on investment properties.

(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Net Income to FFO and AFFO

000's, except per unit amounts	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Net income (loss)	$ 56,611	$ 56,817	$ 53,472	$ 30,986	$ (6,702)	$ 48,978	$ 71,302	$ 77,577
Add (deduct):								
Tenant inducements amortized into revenue	2,698	2,733	2,535	2,446	2,919	2,202	2,159	2,011
Fair value (gain) loss on investment properties	(19,248)	(11,725)	(18,565)	10,707	56,588	2,886	(29,035)	(34,824)
Foreign currency translation loss (gain)	4,295	4,834	8,406	4,355	2,915	(1,353)	4,622	1,385
Transaction costs on acquisitions	844	162	1,396	88	314	299	3,589	1,483
Adjustment for investments in joint ventures	5,123	1,405	1,085	(98)	(5,015)	(155)	(685)	-
Unrealized loss (gain) on financial instruments	3,281	(860)	2,792	3,224	(1,249)	528	(4,671)	(596)
Incremental leasing costs	472	246	275	331	-	-	-	-
Preferred unit distributions	(4,461)	(4,423)	(4,370)	(4,408)	(4,366)	(4,026)	(3,354)	(2,259)
FFO	$ 49,615	$ 49,189	$ 47,026	$ 47,631	$ 45,404	$ 49,359	$ 43,927	$ 44,777
Deduct:								
Lease termination income received from tenants	(73)	(21)	(82)	-	(219)	(3,972)	(545)	(1,748)
FFO after adjustments	$ 49,542	$ 49,168	$ 46,944	$ 47,631	$ 45,185	$ 45,387	$ 43,382	$ 43,029
FFO per unit								
Basic	$ 0.36	$ 0.36	$ 0.36	$ 0.37	$ 0.36	$ 0.39	$ 0.36	$ 0.39
Diluted	$ 0.36	$ 0.35	$ 0.35	$ 0.36	$ 0.35	$ 0.38	$ 0.35	$ 0.38
FFO per unit after adjustments								
Basic	$ 0.36	$ 0.36	$ 0.36	$ 0.37	$ 0.36	$ 0.36	$ 0.36	$ 0.37
Diluted	$ 0.36	$ 0.35	$ 0.35	$ 0.36	$ 0.35	$ 0.35	$ 0.35	$ 0.36
Weighted-average number of common units outstanding:								
Basic	136,055	135,563	131,098	127,369	126,728	126,207	121,467	115,050
Diluted [(1)]	146,600	146,245	141,773	138,034	137,322	136,880	132,338	125,903
FFO after adjustments	$ 49,542	$ 49,168	$ 46,944	$ 47,631	$ 45,185	$ 45,387	$ 43,382	$ 43,029
Add (deduct):								
Capital expenditures reserve	(1,344)	(1,280)	(1,225)	(1,256)	(1,247)	(1,230)	(1,121)	(819)
Leasing costs reserve	(5,373)	(5,121)	(4,901)	(5,023)	(4,987)	(4,923)	(4,482)	(4,097)
Straight-line rent adjustments[(2)]	(1,232)	(1,062)	(1,165)	(1,358)	(1,200)	(1,643)	(1,344)	(1,440)
Unit-based compensation	378	403	386	473	489	455	440	443
AFFO	$ 41,971	$ 42,108	$ 40,039	$ 40,467	$ 38,240	$ 38,046	$ 36,875	$ 37,116
AFFO per unit								
Basic	$ 0.31	$ 0.31	$ 0.31	$ 0.32	$ 0.30	$ 0.30	$ 0.30	$ 0.32
Diluted	$ 0.31	$ 0.31	$ 0.30	$ 0.31	$ 0.30	$ 0.30	$ 0.30	$ 0.32
Weighted-average number of common units outstanding:								
Basic	136,055	135,563	131,098	127,369	126,728	126,207	121,467	115,050
Diluted [(3)]	146,256	145,848	141,383	137,654	137,154	136,802	132,062	125,645

(1) Options, convertible debentures and restricted units are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.
(2) This includes straight-line rent adjustments included in the REIT's investments in joint ventures.
(3) Convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

(In thousands of Canadian dollars, unless otherwise noted)

FFO, AFFO and per unit results are impacted by acquisition and disposition activity, foreign exchange and by lease termination income received from tenants during the period.

RELATED PARTY TRANSACTIONS

	Three month period ended December 31, 2014	Three month period ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Property management fees	$ 82	$ 81	$ 331	$ 323
Capitalized leasing commissions	17	15	96	49
Capitalized project management fees	1	22	15	27
Capitalized building improvements	3,039	930	7,881	3,656
Capitalized development projects	4,071	4,514	13,263	25,809
Capitalized office furniture and fixtures	344	47	758	513
Capitalized tenant inducements	1	346	498	1,109
Property tax assessment consulting fees	19	183	385	274
Rental revenues	(42)	(42)	(168)	(168)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. (''Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at December 31, 2014 is $29 (December 31, 2013, $27).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. (''Marwest Construction") and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at December 31, 2014 is $3,253 (December 31, 2013, $1,161).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at December 31, 2014 is $45 (December 31, 2013, $nil).

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 2014 is $nil (December 31, 2013, $7).

The REIT collects office rents from Marwest Management.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING UNIT DATA

The balance of units outstanding as of February 26, 2015 is as follows:

Units outstanding at December 31, 2014	136,284,463
Units issued (DRIP)	316,754
Units issued on exercise of options	125,500
Units issued on settlement of restricted units	413
Units outstanding at February 26, 2015	136,727,130

The balance of options outstanding as of February 26, 2015 is as follows:

	Options outstanding	Options exercisable
$13.30 options, issued September 10, 2010	164,500	164,500
$13.44 options, issued October 15, 2010	221,750	221,750
$14.10 options, issued June 17, 2011	817,500	590,250
$16.36 options, issued April 13, 2012	1,517,500	758,750
	2,721,250	1,735,250

The balance of restricted units outstanding as of February 26, 2015 is 277,082. None of these restricted units have vested.

The balance of deferred units outstanding as of February 26, 2015 is 3,599. All of these deferred units have vested, but are not yet redeemable.

As of February 26, 2015, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series C preferred units outstanding is 3,000,000, the balance of Series E preferred units outstanding is 4,000,000 and the balance of Series G preferred units outstanding is 3,200,000.

OUTLOOK

Artis continues to target high quality retail, office and industrial assets primarily in western Canada, as well as in the Greater Toronto Area (Ontario) and select markets in the U.S.

According to the Scotiabank Global Forecast Update dated February 3, 2015, real GDP in Canada is forecast to grow 1.9% in 2015. Forecasted GDP growth for Manitoba, British Columbia and Ontario is 2.4%, 2.4% and 2.6% respectively, which are well above the Canadian average. GDP growth forecasts for Saskatchewan and Alberta, 1.0% and 0.9% respectively, have weakened from former predictions as a result of the recent decline in oil prices. We anticipate occupancy and rents in these markets (primarily the office market) will be impacted in the short-to-medium term, while conversely, non-resource based economies will be positively impacted by increased household spending. In addition, we expect the weaker Canadian dollar will have a positive impact on the manufacturing sector, and on Canadian exports in general.

Real GDP in the U.S. is forecast to grow 3.1% in 2015; national year-over-year unemployment at December 31, 2014 decreased to 5.6% from 6.7%. Year-over-year unemployment statistics at December 31, 2014 for Artis' key U.S. markets are as follows: Twin Cities Area, 3.4% (from 4.5%); the Greater Phoenix Area, 5.9% (from 6.5%); and Denver, 4.0% (from 6.0%). The US economy has experienced significant recovery over the last year; with this recovery and the resulting strengthening of the US dollar, GDP growth expectations, and decline in unemployment rates, we anticipate there is further growth potential that will be realized in 2015. For the three month period ended December 31, 2014, 25.1% of Artis' Property NOI including joint ventures, is derived from the U.S.

Many real estate investment trusts are trading at a discount to their consensus net asset value (NAV), and consequently there have been fewer new equity issues by REITs over the last year. Recent volatility in markets that are driven by or affected by oil prices have had an adverse impact on investor confidence towards real estate investment trusts with exposure to these markets. Artis management remains cautiously optimistic about our presence in these markets, and believe the market reaction is disproportionate relative to the risk, specifically as it relates to Artis' exposure to these markets. Nonetheless, investors continue to favour yield products like real estate investment trusts, and management anticipates unit prices will normalize in the medium term to values closer to consensus NAV estimates.

Artis continues to maintain its Investment Grade Credit Rating, BBB(low) with a Stable trend, from Dominion Bond Rating Service ("DBRS"). DBRS has also assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. Management anticipates, with this Investment Grade Credit Rating, the debt and equity markets will be receptive to new financing in 2015. Management further predicts interest rates will remain low in the short- to medium term, with long-term interest rate increases coming at a slow, methodical pace and well-communicated by the central banks. Given today's low interest rates in both Canada and the U.S., Artis continues to view this as an opportune time to term-out debt, or to fix existing floating debt with interest rate swaps at very attractive low long-term financing rates. Management expects to maintain between 5% and 15% unhedged floating rate debt as a percentage of total debt.

Commercial property capitalization rates have remained stable in recent months with a bias toward capitalization rate compression. Looking ahead, management does not expect there will be significant changes in capitalization rates in its target markets, but given the amount of capital seeking to invest in commercial real estate, the bias toward capitalization rate compression should continue. Artis will selectively pursue accretive acquisition opportunities in its target markets in Canada and the U.S. in 2015, and when prudent, invest in high-yield development opportunities in those markets.

Management anticipates that, despite the impact of the recent decline in oil prices and the ensuing impact on certain oil affected markets, overall real estate fundamentals in Canada and the U.S. will remain stable in 2015 and that Artis' properties will perform in line with the moderate growth expectations within its target markets. Artis will continue to focus on internal growth opportunities, by capitalizing on below-market rent opportunities, through selective re-development and repositioning of well-located assets in primary markets, and from new construction or expansions of existing portfolio properties.

SUBSEQUENT EVENTS

As at December 31, 2014, Artis had $49,807 of cash and cash equivalents on hand and $125,000 available on the revolving term credit facilities. Subsequent to December 31, 2014, the following transactions took place:

- On January 14, 2015, the REIT refinanced a maturing mortgage on an industrial property, obtaining additional financing of $2,107.
- On January 15, 2015, the REIT declared a monthly distribution of $0.09 per unit for January 2015.
- On January 15, 2015, the REIT declared a quarterly cash distribution of $0.3125 per Series G Unit for the quarter ending January 31, 2015.
- On January 29, 2015, the REIT drew $10,000 on its revolving term credit facility.
- On February 2, 2015, the REIT repaid two maturing mortgages in the amount of $12,166.
- On February 15, 2015, the REIT declared a monthly distribution of $0.09 per unit for February 2015.
- On February 23, 2015, the REIT refinanced a maturing mortgage on an industrial property, obtaining additional financing of $6,401.

RISKS AND UNCERTAINTIES

REAL ESTATE OWNERSHIP

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The REIT's properties are located in five Canadian provinces and six U.S. states, with a significant majority of its properties, measured by GLA, located in the province of Alberta and in the state of Minnesota. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada and the U.S.

(In thousands of Canadian dollars, unless otherwise noted)

INTEREST RATE AND DEBT FINANCING

Artis will be subject to the risks associated with debt financing. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

Management seeks to mitigate this risk in a variety of ways. First, management considers structuring the timing of the renewal of significant tenant leases on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing. Second, management seeks to secure financing from a variety of lenders on a property by property basis. Third, mortgage terms are, where practical, structured such that the exposure in any one year to financing risks is balanced.

Artis is also subject to interest rate risk associated with the REIT's revolving term credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. 71.9% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 17.4% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2014, the REIT is a party to $637,842 of variable rate debt, including bank indebtedness (December 31, 2013, $575,463). At December 31, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $394,960 of variable rate debt (December 31, 2013, $323,489). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

The REIT's ratio of mortgages, loans and bank indebtedness to GBV is 41.3%, down from 45.4% at December 31, 2013. Approximately 17.3% of Artis' maturing mortgage debt, inclusive of included in the REIT's investment in joint ventures, comes up for renewal in 2015, and 18.1% in 2016. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2015 and 2016 mortgage maturities.

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 2,184 tenant leases with a weighted-average term to maturity of 4.4 years. Approximately 61.7% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is MTS Allstream Inc., a subsidiary of Manitoba Telecom Services Inc. which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. Manitoba Telecom Services Inc. is a TSX listed entity with 2014 annual revenues in excess of $1.6 billion. The second largest tenant by gross revenue is AMEC Americas Ltd, a global supplier of consultancy, engineering and project management services to energy, power and process industries with a market capitalization of over £3.0 billion.

Top Twenty Tenants by Gross Revenue

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
MTS Allstream Inc.	1.9%	322	1.3%	8.2
AMEC Americas Ltd.	1.8%	200	0.8%	0.7
DirecTV, LLC	1.3%	257	1.0%	10.5
Shoppers Drug Mart	1.0%	173	0.7%	7.0
TransAlta Corporation	1.0%	336	1.3%	8.4
Bellatrix Exploration Ltd.	1.0%	94	0.4%	9.1
Telvent Canada Ltd.	1.0%	98	0.4%	8.7
CB Richard Ellis, Inc.	0.9%	119	0.5%	3.8
TD Canada Trust	0.9%	128	0.5%	5.6
Stantec Consulting, Ltd.	0.8%	98	0.4%	8.0
IHS Global Canada Ltd.	0.8%	78	0.3%	4.0
Home Depot	0.8%	158	0.6%	7.6
Sobeys	0.8%	190	0.8%	6.2
Canada Institute for Health Info.	0.8%	92	0.4%	10.7
PMC Sierra, Inc.	0.8%	134	0.5%	1.8
Fairview Health Services	0.7%	179	0.7%	8.7
Bell Canada	0.7%	80	0.3%	1.6
Birchcliff Energy	0.7%	59	0.2%	2.9
Cara Operations Limited	0.7%	100	0.4%	14.0
3M Canada Company	0.7%	319	1.3%	5.3
Total	19.1%	3,214	12.8%	6.8

Government Tenants by Gross Revenue

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
Federal Government	3.4%	541	2.1%	7.9
Provincial Government	2.8%	467	1.9%	3.5
Civic or Municipal Government	0.5%	131	0.5%	12.1
Total	6.7%	1,139	4.5%	6.6
Weighted-average term to maturity (entire portfolio)				4.4

(In thousands of Canadian dollars, unless otherwise noted)

LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in retail, office and industrial properties, consequently increasing the risk that leases expiring in the near term will not be renewed.

Details of the portfolio's expiry schedule is as follows:

	Canada						U.S.		
Expiry Year	AB	BC	MB	SK	ON	*Calgary Office Only*	MN	Other	Total
2015	3.7%	0.7%	2.9%	0.9%	1.9%	*1.6%*	4.2%	0.3%	14.6%
2016	3.9%	0.9%	1.7%	0.3%	2.8%	*1.2%*	4.9%	0.2%	14.7%
2017	2.0%	0.9%	1.6%	0.9%	2.4%	*1.0%*	3.4%	1.2%	12.4%
2018	2.6%	0.5%	2.2%	0.6%	0.6%	*0.9%*	2.0%	0.9%	9.4%
2019	3.1%	0.9%	0.7%	0.3%	1.7%	*0.8%*	2.1%	0.5%	9.3%
2020	1.0%	0.2%	0.3%	0.1%	1.6%	*0.1%*	1.4%	1.0%	5.6%
2021 & later	7.9%	2.2%	3.6%	2.1%	2.1%	*3.6%*	4.9%	3.0%	25.8%
Month-to-month	0.1%	0.1%	0.1%	0.0%	0.1%	*0.0%*	0.2%	0.0%	0.6%
Vacant	1.1%	0.2%	0.9%	0.4%	0.6%	*0.6%*	1.8%	0.2%	5.2%
Properties in re-development	0.0%	0.2%	1.0%	0.0%	1.2%	*0.0%*	0.0%	0.0%	2.4%
Total	25.4%	6.8%	15.0%	5.6%	15.0%	*9.8%*	24.9%	7.3%	100.0%

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Twin Cities Area industrial properties and the Winnipeg office properties.

TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the year ended December 31, 2013 and the year ended December 31, 2014. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Exception in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

The Tax Act also contains restrictions relating to the activities and the investments permitted by a mutual fund trust. Closed-end trusts must also comply with a number of technical tests relating to its investments and income. No assurance can be given that the REIT will be able to continue to comply with these restrictions at all times.

The REIT operates in the United States through two U.S. REITs (Artis US Holdings, Inc and Artis US Holdings II, LLC), which are capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service or a court were to determine that the notes and related interest should be treated differently for tax purposes, this may adversely affect the REIT's ability to flow income from the U.S. to Canada.

FOREIGN CURRENCY RISK

The REIT owns properties located in the United States, and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate a portion of this risk, the REIT's debt on U.S. properties as well as the Series G debentures are held in US dollars to act as a natural hedge. The REIT's Series C preferred units are also denominated in US dollars.

OTHER RISKS

In addition to the specific risks identified above, Artis REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, risk of general uninsured losses as well as potential risks arising from environmental matters.

The REIT may also be subject to risks arising from land leases for properties in which the REIT has an interest, public market risks, unitholder liability risks, risks pertaining to the availability of cash flow, risks related to fluctuations in cash distributions, changes in legislation, and risks relating to the REIT's reliance on key personnel.

CRITICAL ACCOUNTING ESTIMATES

Artis REIT's management believes that the policies below are those most subject to estimation and judgment by management.

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in net income or loss for the period. Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of 10 years, using weighted-average rates of approximately 7.60% at December 31, 2013 and 7.55% at December 31, 2014. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 6.41% at December 31, 2013 and 6.37% at December 31, 2014.

Investment properties under development include initial acquisition costs, other direct costs and borrowing costs during the period of development. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (the "SIFT Rules"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes it has met the REIT conditions throughout the year ended December 31, 2013 and the year ended December 31, 2014.

ALLOCATION OF CONVERTIBLE DEBENTURES

Artis REIT has issued convertible debentures, which are a compound financial instrument. The proceeds of these issues are allocated between their liability and equity components. The discount rate applied in the allocation is determined by management.

CHANGES IN ACCOUNTING POLICIES

New or Revised Accounting Standards Adopted During the Period

IAS 32 - Offsetting Financial Assets and Liabilities, as amended by the IASB in December 2011, clarifies certain aspects of offsetting and net and gross settlement, and is effective for annual periods beginning on or after January 1, 2014. The adoption of this amendment did not result in a material impact on the consolidated financial statements.

IFRIC interpretation 21 - Levies was issued by the IASB in May 2013. The interpretation considers the guidance in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy. It is effective for annual periods beginning on or after January 1, 2014. The adoption of this interpretation did not result in a material impact on the consolidated financial statements.

Future Changes in Accounting Policies

In November 2013, the IASB amended IAS 19 - Employee Benefits. The amendment clarifies the requirements that relate to how contributions should be attributed to periods of service, and is effective for annual periods beginning on or after July 1, 2014. The REIT does not expect that this amendment will result in a material impact on the consolidated financial statements.

In May 2014, the IASB amended IFRS 11 - Joint Arrangements. The amendment clarifies the accounting for acquisitions of interests in joint operations, and is effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of this amendment.

The IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate and SIC 31 – Revenue - Barter Transactions Involving Advertising Services. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IASB amended IAS 16 – Property, Plant and Equipment. The amendment clarifies acceptable methods of depreciation and amortization, and is effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of this amendment.

The final version of IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the REIT will be continually evolving and enhancing its systems of controls and procedures.

On December 15, 2014, the REIT adopted the "Internal Control – Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2014, our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No material weaknesses in our internal control over financial reporting were identified.

DISCLOSURE CONTROLS AND PROCEDURES

The REIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2014, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the REIT's disclosure controls and procedures were effective as at December 31, 2014.

ARTIS
REIT

Management's Responsibility for Financial Statements

The management of Artis Real Estate Investment Trust is responsible for the preparation and integrity of the consolidated financial statements contained in the annual report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on management's best estimate and judgment. Management has determined such amounts on a reasonable basis and considers that the consolidated financial statements present fairly the financial position of the REIT, the results of its operations and its cash flows. Management has also prepared financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the consolidated financial statements. To fulfill its responsibility, management maintains internal accounting controls and systems and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Trustees carries out this responsibility principally through its Audit Committee, composed entirely of outside and unrelated trustees. The Audit Committee meets regularly with management of the REIT and with the independent auditors. The consolidated financial statements have been reviewed and approved by the Board of Trustees on the recommendation of its Audit Committee.

The REIT's independent auditor, Deloitte, LLP, has been appointed by the unitholders to audit the consolidated financial statements and express an opinion thereon.

"Armin Martens"

Armin Martens, P.Eng., MBA
President and Chief Executive Officer
February 26, 2015

"Jim Green"

Jim Green, CA
Chief Financial Officer
February 26, 2015

Deloitte.

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Canada

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Artis Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Artis Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, and the consolidated statements of operations, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Artis Real Estate Investment Trust as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

February 26, 2015
Winnipeg, Manitoba

(In thousands of Canadian dollars, unless otherwise noted)

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
Non-current assets:		
Investment properties (note 4)	$ 5,201,489	$ 4,851,877
Investment properties under development (note 4)	81,682	47,281
Investments in joint ventures (note 23)	98,072	42,434
Property and equipment (note 5)	3,405	2,872
Notes receivable (note 6)	18,239	18,741
	5,402,887	4,963,205
Current assets:		
Deposits on investment properties	50	103
Prepaid expenses and other assets (note 7)	6,671	10,694
Notes receivable (note 6)	2,509	1,723
Accounts receivable and other receivables (note 8)	10,955	12,537
Cash held in trust	5,973	5,553
Cash and cash equivalents	49,807	48,222
	75,965	78,832
	$ 5,478,852	$ 5,042,037
LIABILITIES AND UNITHOLDERS' EQUITY		
Non-current liabilities:		
Mortgages and loans payable (note 9)	$ 1,868,857	$ 2,006,614
Senior unsecured debentures (note 10)	199,527	-
Convertible debentures (note 11)	189,573	181,282
Other long-term liabilities	1,144	81
	2,259,101	2,187,977
Current liabilities:		
Mortgages and loans payable (note 9)	393,197	280,983
Convertible debentures (note 11)	-	3,982
Security deposits and prepaid rent	30,546	25,787
Accounts payable and other liabilities (note 12)	66,703	59,061
Bank indebtedness (note 13)	300	-
	490,746	369,813
	2,749,847	2,557,790
Unitholders' equity	2,729,005	2,484,247
Commitments and guarantees (note 25)		
Subsequent events (note 28)		
	$ 5,478,852	$ 5,042,037

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2014 and 2013

(In thousands of Canadian dollars, except unit and per unit amounts)

		2014		2013
Revenue (note 16)	$	500,558	$	463,418
Property operating expenses		187,710		166,536
Net operating income		312,848		296,882
Other income (expenses):				
Corporate expenses		(10,261)		(9,713)
Interest expense		(108,546)		(102,615)
Interest income		1,818		2,026
Net (loss) income from investments in joint ventures (note 23)		(3,987)		7,456
Fair value gain on investment properties (note 4)		38,831		4,385
Foreign currency translation loss		(21,890)		(7,569)
Transaction costs (note 17)		(2,490)		(5,685)
(Loss) gain on financial instruments (note 18)		(8,437)		5,988
Net income		197,886		191,155
Other comprehensive income that may be reclassified to net income in subsequent periods:				
Unrealized foreign currency translation gain		66,844		27,100
Comprehensive income	$	264,730	$	218,255
Basic income per unit attributable to common unitholders (note 14 (d))	$	1.36	$	1.45
Diluted income per unit attributable to common unitholders (note 14 (d))	$	1.33	$	1.41
Weighted-average number of common units outstanding (note 14 (d)):				
Basic		132,553,521		122,405,907
Diluted		143,115,933		133,070,507

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise noted)

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

Years ended December 31, 2014 and 2013

	Common units capital contributions (note 14)	Equity component of convertible debentures	Equity	Accumulated other comprehensive (loss) income	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2012	$ 1,449,301	$ 11,253	$ 434,864	$ (1,783)	$ 4,354	$ 1,897,989	$ 151,867	$ 2,049,856
Changes for the year:								
Issuance of units, net of issue costs	188,918	-	-	-	(619)	188,299	173,756	362,055
Unit-based compensation (note 20 (c)(i))	-	-	-	-	1,481	1,481	-	1,481
Redemption of convertible debentures	-	(99)	-	-	-	(99)	-	(99)
Net income	-	-	191,155	-	-	191,155	-	191,155
Other comprehensive income	-	-	-	27,100	-	27,100	-	27,100
Distributions	-	-	(147,301)	-	-	(147,301)	-	(147,301)
Unitholders' equity, December 31, 2013	1,638,219	11,154	478,718	25,317	5,216	2,158,624	325,623	2,484,247
Changes for the year:								
Issuance of units, net of issue costs	142,455	-	-	-	(600)	141,855	-	141,855
Unit-based compensation (note 20 (c)(i))	-	-	-	-	609	609	-	609
Redemption of convertible debentures	-	(131)	-	-	-	(131)	-	(131)
Net income	-	-	197,886	-	-	197,886	-	197,886
Other comprehensive income	-	-	-	66,844	-	66,844	-	66,844
Distributions	-	-	(162,305)	-	-	(162,305)	-	(162,305)
Unitholders' equity, December 31 2014	$ 1,780,674	$ 11,023	$ 514,299	$ 92,161	$ 5,225	$ 2,403,382	$ 325,623	$ 2,729,005

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise noted)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Net income	$ 197,886	$ 191,155
Adjustments for non-cash items:		
Fair value gain on investment properties (note 4)	(38,831)	(4,385)
Depreciation of property and equipment	575	511
Net loss (income) from investments in joint ventures (note 23)	3,987	(7,456)
Distributions from joint ventures	396	-
Tenant inducements amortized to revenue	10,412	9,291
Amortization of above- and below-market mortgages, net	(1,787)	(1,801)
Accretion on liability component of debentures	(475)	(327)
Straight-line rent adjustment (note 4)	(4,677)	(5,543)
Unrealized foreign currency translation loss	20,028	9,951
Loss (gain) on financial instruments (note 18)	8,437	(5,988)
Unit-based compensation expense (note 20 (c))	1,640	1,827
Amortization of financing costs included in interest	3,018	3,143
Other long-term employee benefits (note 20 (b)(ii))	844	-
Changes in non-cash operating items (note 19)	3,252	6,863
	204,705	197,241
Investing activities:		
Acquisitions of investment properties, net of related debt (note 3)	(141,205)	(274,485)
Proceeds from dispositions of investment properties, net of costs and related debt (note 3)	18,096	11,438
Additions to investment properties (note 4)	(21,522)	(19,080)
Additions to investment properties under development (note 4)	(21,178)	(40,549)
Additions to joint ventures (note 23)	(52,993)	(26,787)
Additions to tenant inducements	(19,738)	(18,431)
Additions to leasing costs (note 4)	(9,386)	(8,472)
Notes receivable principal repayments	2,937	3,411
Additions to property and equipment	(1,108)	(986)
Change in deposits on investment properties	50	2,297
Change in cash held in trust	(165)	(2,734)
	(246,212)	(374,378)
Financing activities:		
Issuance of common units, net of issue costs	141,855	188,299
Issuance of preferred units, net of issue costs	-	173,756
Issuance of senior unsecured debentures, net of financing costs	199,421	-
Repayment of convertible debentures (note 11)	(4,000)	(3,000)
Change in bank indebtedness	300	-
Distributions paid on common units	(143,801)	(132,211)
Distributions paid on preferred units	(17,662)	(13,342)
Mortgages and loans principal repayments	(58,603)	(54,705)
Repayment of mortgages and loans payable	(113,506)	(70,004)
Advance of mortgages and loans payable, net of financing costs	37,139	80,984
Issuance of preferred shares, net of costs	211	-
	41,354	169,777
Foreign exchange gain on cash held in foreign currency	1,738	1,088
Increase (decrease) in cash and cash equivalents	1,585	(6,272)
Cash and cash equivalents at beginning of year	48,222	54,494
Cash and cash equivalents at end of year	$ 49,807	$ 48,222
Supplemental cash flow information:		
Interest paid	$ 107,047	$ 101,403
Interest received	1,817	2,026

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization:

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on August 2, 2012 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada and the United States (the "U.S."). The registered office of the REIT is 360 Main Street, Suite 300, Winnipeg, Manitoba, R3C 3Z3.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT. The amount distributed annually (currently $1.08 per common unit, $1.3125 per Series A preferred unit, US$1.3125 per Series C preferred unit, $1.1875 per Series E preferred unit and $1.25 per Series G preferred unit) will be set by the Board of Trustees.

2. Significant accounting policies:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation and measurement:

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. Standards issued but not yet effective for the current accounting year are described in note 2 (u).

The consolidated financial statements are prepared on the historical cost basis with the exception of investment properties, derivative financial instruments and the cash-settled unit-based payments liability, which are measured at fair value.

(c) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and entities controlled by the REIT and its subsidiaries (including joint arrangements). Control is achieved when the REIT has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intercompany assets and liabilities, equity, revenue, expenses and cash flows relating to transactions between members of the REIT are eliminated in full on consolidation.

(d) Translation of foreign currencies:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

Assets and liabilities of foreign operations are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate for the period. Gains or losses on translation are included in other comprehensive income as foreign currency translation gains or losses. When there is a reduction in the net investment as a result of dilution or sale, or reduction in the equity of the foreign operation as a result of a capital transaction, amounts previously recognized in accumulated other comprehensive income are reclassified into net income.

For assets, liabilities, revenues and expenses that do not form part of the net investment in foreign operations, foreign currency translation gains or losses are included in net income. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rate in effect at the date of the transaction.

(e) Financial instruments:

Initially, all financial assets and liabilities are recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. All financial assets are classified as one of: (a) at fair value through profit or loss; (b) held-to-maturity; (c) loans and receivables; or (d) available-for-sale. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. All financial liabilities are classified as either: (a) at fair value through profit or loss; or (b) other liabilities. Financial assets and liabilities classified as at fair value through profit or loss are measured at fair value, with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

The REIT designated its notes receivables, accounts receivable and other receivables, cash held in trust and cash and cash equivalents as loans and receivables; its mortgages and loans payable, senior unsecured debentures, the liability component of its convertible debentures, preferred shares liability, accounts payable and other liabilities and bank indebtedness as other liabilities. The REIT does not hold any financial instruments classified as fair value through profit or loss, held-to-maturity or available-for-sale.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at fair value through profit or loss are recognized immediately in net income.

All derivative instruments, including embedded derivatives, are classified as at fair value through profit or loss and are recorded on the consolidated balance sheet at fair value.

Financial assets, other than those classified as at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

(f) Investment properties:

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in profit or loss for the period.

2. Significant accounting policies (continued):

(f) Investment properties (continued):

Investment properties are classified as investment properties under development once construction at the property has commenced. Investment properties under development include initial acquisition costs and other direct costs during the period of development. Borrowing costs associated with direct expenditures on properties under development are capitalized from the commencement of the construction until the date of practical completion. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the REIT obtains control of the business. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Changes in the fair value of contingent consideration arrangements that qualify as measurement period adjustments, adjustments arising from additional information obtained about an acquisition within one year of its date, are adjusted retrospectively. All other changes in fair value are recognized in profit or loss for the period.

Leasing costs, such as commissions, and straight-line rent receivable are included in the carrying amount of investment properties.

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue. Tenant inducements are amortized on a straight-line basis over the term of the lease.

Investment properties held under operating leases are recognized in the REIT's consolidated balance sheet at fair value.

Investment properties are reclassified to assets held for sale when the criteria set out in IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* are met.

(g) Property and equipment:

Office furniture and fixtures and office equipment and software are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over their useful life which is estimated to be five years. The estimated useful life, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

(h) Assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is highly probable and expected to be completed within a one-year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 - *Investment Property*. All other assets held for sale are stated at the lower of their carrying amount and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of an investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been classified as held for sale.

The results of operations associated with disposal groups sold or classified as held for sale are reported separately as profit or loss from discontinued operations.

(i) Cash held in trust:

Cash held in trust consists of cash held by financial institutions with restrictions pursuant to several mortgage agreements.

(j) Cash and cash equivalents:

Cash and cash equivalents consist of cash with financial institutions and include short-term investments with maturities of three months or less.

(k) Provisions:

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the REIT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(l) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Rental revenue from investment properties includes all amounts earned from tenants related to lease agreements, including base rent, realty tax and operating cost recoveries and other incidental income. The total amount of contractual base rent in lease agreements is accounted for on a straight-line basis over the term of the respective leases; a straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual rent received. Realty tax and operating cost recoveries are accrued and recognized as revenue in the period that the recoverable costs are incurred and become chargeable to tenants.

(m) Joint arrangements:

Joint arrangements are arrangements where the owning parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT accounts for its joint arrangements as either joint ventures or joint operations.

A joint venture is an arrangement where the REIT jointly owns an investment property with another party and has rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The investment in the joint venture is initially measured at cost at the date of acquisition and adjusted thereafter for the REIT's share of changes in its net assets, less any identified impairment loss. The REIT's share of the profit or loss from its investments in joint ventures is recognized in profit or loss for the period.

2. Significant accounting policies (continued):

(m) Joint arrangements (continued):

A joint operation is an arrangement where the REIT jointly owns an investment property with another party and has rights to the assets, and obligations for the liabilities, relating to the arrangement. The REIT accounts for joint operations by recording its proportionate share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements.

(n) Earnings per unit:

Basic earnings per REIT unit is computed by dividing net income for the year attributable to common unitholders by the weighted-average common units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of common units outstanding during the period, plus the effect of dilutive unit equivalents. The diluted per unit amounts for unit-based compensation are calculated using the treasury stock method, as if all the unit equivalents where the average market price exceeds the issue price had been exercised at the beginning of the reporting period, or the date of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the REIT at the average trading price of the common units during the period. The dilution impact of convertible debentures is calculated using the if-converted method, whereby conversion is not assumed for the purposes of computing diluted earnings per unit if the effect is antidilutive.

(o) Discontinued operations:

A discontinued operation is a component of the REIT's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(p) Unit-based compensation:

The REIT may issue unit-based awards to trustees, officers, employees and consultants. For cash-settled unit-based payment transactions, a liability is recognized and remeasured to fair value at each reporting date and at settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period.

For equity-settled unit-based payment transactions, the REIT measures compensation expense using the fair value at the grant date, recognized over the vesting period.

(q) Long-term employee benefits:

The cost of the REIT's defined benefit pension plans are accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit liability and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. The fair value of the plan assets is based on current market values. The present value of the defined benefit liability is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the liability.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the REIT in respect of services provided by employees up to the reporting date.

(r) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements are as follows:

- Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.

- Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f). The REIT makes judgments with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures.

- Capitalized cost of investment properties under development - The REIT's accounting policy relating to investment properties under development is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under development occurs.

- Classification of leases - The REIT's accounting policy for revenue recognition is described in note 2 (l). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.

- Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (m) and note 23. Judgment is applied in determining whether joint arrangements constitute a joint venture or a joint operation.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the consolidated financial statements are as follows:

- Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.

- Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 22.

(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(r) Use of estimates and judgments (continued):

- Allowance for doubtful accounts - The critical estimates and assumptions underlying the value of the allowance for doubtful accounts are described in note 27 (a)(ii).

- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the fair value of financial instruments are described in note 27 (b).

- Allocation of convertible debentures - The critical estimates and assumptions underlying the allocation of convertible debentures are described in note 11.

(s) New or revised accounting standards adopted during the year:

IAS 32 - *Offsetting Financial Assets and Liabilities*, as amended by the IASB in December 2011, clarifies certain aspects of offsetting and net and gross settlement, and is effective for annual periods beginning on or after January 1, 2014. The adoption of this amendment did not result in a material impact on the consolidated financial statements.

IFRIC interpretation 21 - *Levies* was issued by the IASB in May 2013. The interpretation considers the guidance in IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy. It is effective for annual periods beginning on or after January 1, 2014. The adoption of this interpretation did not result in a material impact on the consolidated financial statements.

(t) Future changes in accounting policies:

In November 2013, the IASB amended IAS 19 - *Employee Benefits*. The amendment clarifies the requirements that relate to how contributions should be attributed to periods of service, and is effective for annual periods beginning on or after July 1, 2014. The REIT does not expect that this amendment will result in a material impact on the consolidated financial statements.

In May 2014, the IASB amended IFRS 11 - *Joint Arrangements*. The amendment clarifies the accounting for acquisitions of interests in joint operations, and is effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of this amendment.

The IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate* and SIC 31 – *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IASB amended IAS 16 – *Property, Plant and Equipment*. The amendment clarifies acceptable methods of depreciation and amortization, and is effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of this amendment.

The final version of IFRS 9 - *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - *Financial Instruments*: Recognition and Measurement ("IAS 39"). IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the year ended December 31, 2014:

Property	Property count	Location	Acquisition date	Type
Hudson's Bay Centre [(1)]	1	Denver, CO	April 15, 2014	Office
Estevan Shoppers Mall	1	Estevan, SK	May 1, 2014	Retail
601 Tower at Carlson	1	Twin Cities Area, MN	June 11, 2014	Office
Crosstown North Business Center II & VI	2	Twin Cities Area, MN	June 16, 2014	Industrial
Shoppes of St. Vital	1	Winnipeg, MB	September 9, 2014	Retail
Crowfoot Village	1	Calgary, AB	November 17, 2014	Retail
Cargill R&D	1	Twin Cities Area, MN	December 16, 2014	Industrial
Union Crossings II	1	Twin Cities Area, MN	December 31, 2014	Retail

[(1)] The REIT acquired a 50% interest in this joint venture (see note 23).

(In thousands of Canadian dollars, unless otherwise noted)

3. **Acquisitions and dispositions of investment properties (continued):**

Acquisitions (continued):

The REIT acquired the following parcels of development land during the year ended December 31, 2014:

Property	Location	Acquisition date	Type
Park Lucero [1]	Phoenix Metropolitan Area, AZ	March 7, 2014	Industrial
Corridor Park [1]	Houston, TX	June 17, 2014	Office
Park 8Ninety	Houston, TX	September 18, 2014	Industrial
Stampede Station II	Calgary, AB	October 8, 2014	Office
801 Carlson	Twin Cities Area, MN	October 20, 2014	Office
Union Crossings III	Twin Cities Area, MN	December 31, 2014	Retail

[1] The REIT acquired a 90% interest in this joint venture (see note 23).

The REIT acquired the following properties during the year ended December 31, 2013:

Property	Property count	Location	Acquisition date	Type
1110 Pettigrew Avenue	1	Regina, SK	January 15, 2013	Industrial
Century Crossing III [1]	1	Edmonton Capital Region, AB	February 11, 2013, June 28, 2013	Retail
495 Richmond Road	1	Ottawa, ON	March 15, 2013	Office
220 Portage Avenue	1	Winnipeg, MB	April 30, 2013	Office
Quarry Park Portfolio	3	Calgary, AB	May 15, 2013	Office
1700 Broadway [2]	1	Denver, CO	May 22, 2013	Office
ASM America Headquarters Building	1	Phoenix, AZ	June 4, 2013	Office
Cara Foods Building [3]	-	Greater Toronto Area, ON	June 5, 2013	Office
Oakdale Village	1	Twin Cities Area, MN	June 10, 2013	Retail
PTI Building [4]	1	Edmonton Capital Region, AB	June 28, 2013	Industrial
DirecTV Building	1	Greater Denver Area, CO	July 31, 2013	Office
North Scottsdale Corporate Center II	1	Phoenix Metropolitan Area, AZ	September 10, 2013	Office

[1] The REIT closed the first part of this two-part acquisition on February 11, 2013 and the second part on June 28, 2013.
[2] The REIT acquired a 50% interest in this joint venture.
[3] The REIT acquired the remaining 50% interest in this property.
[4] The REIT acquired a parcel of land adjacent to the PTI Building on October 1, 2013.

The REIT also acquired development land located in Winnipeg, Manitoba and in the Twin Cities Area, Minnesota during the year ended December 31, 2013.

These acquisitions have been accounted for using the acquisition method, with the results of operations included in the REIT's accounts from the date of acquisition. The net assets acquired, excluding joint ventures, were as follows:

		2014		Year ended December 31, 2013
Investment properties (note 4)	$	201,588	$	497,964
Long-term debt, including acquired above- and below-market mortgages, net of financing costs		(60,383)		(223,479)
Cash consideration	$	141,205	$	274,485
Transaction costs expensed (note 17)	$	2,077	$	4,929

(In thousands of Canadian dollars, unless otherwise noted)

3. Acquisitions and dispositions of investment properties (continued):

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2014:

Property	Location	Disposition date	Type
15 Blair Drive	Greater Toronto Area, ON	March 31, 2014	Industrial
King Edward Centre	Greater Vancouver Regional District, BC	May 22, 2014	Retail
Shady Oak	Twin Cities Area, MN	December 1, 2014	Industrial

The proceeds from the sale of the above properties, net of costs and related debt, were $18,096. The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the year ended December 31, 2013:

Property	Location	Disposition date	Type
1301 Industrial Boulevard	Twin Cities Area, MN	July 15, 2013	Industrial
Delta Centre	Edmonton, AB	September 30, 2013	Industrial

The proceeds from the sale of the above properties, net of costs, were $11,438. The assets and liabilities associated with these properties were derecognized.

4. Investment properties, investment properties under development and investment properties held for sale:

	Year ended December 31, 2014	
	Investment properties	Investment properties under development
Balance, beginning of year	$ 4,851,877	$ 47,281
Additions:		
Acquisitions (note 3)	187,028	14,560
Capital expenditures	21,522	21,178
Leasing costs	8,240	1,146
Dispositions	(20,407)	-
Reclassification of investment properties under development	2,338	(2,338)
Foreign currency translation gain	97,707	1,089
Straight-line rent adjustment	4,655	22
Tenant inducement additions, net of amortization	8,816	510
Contingent consideration adjustment	(884)	-
Fair value gain (loss)	40,597	(1,766)
Balance, end of year	$ 5,201,489	$ 81,682

(In thousands of Canadian dollars, unless otherwise noted)

4. Investment properties, investment properties under development and investment properties held for sale (continued):

	Year ended December 31, 2013		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	$ 4,206,126	$ 4,234	$ 58,963
Additions:			
Acquisitions (note 3)	497,964	-	-
Capital expenditures	19,015	40,549	65
Leasing costs	8,145	226	101
Dispositions	(5,358)	-	(6,080)
Reclassification of investment properties under development	3,079	(3,079)	-
Reclassification of investment properties held for sale	51,849	-	(51,849)
Foreign currency translation gain (loss)	56,073	201	(134)
Straight-line rent adjustment	5,496	-	47
Tenant inducement additions, net of amortization	8,953	(20)	207
Fair value gain (loss)	535	5,170	(1,320)
Balance, end of year	$ 4,851,877	$ 47,281	$ -

External valuations are performed quarterly on a rotational basis over a four year cycle. For the year ended December 31, 2014, 61 investment properties of the total portfolio of 246 properties at December 31, 2014 (24.80%) were appraised by qualified external valuation professionals. For the year ended December 31, 2013, 56 investment properties of the total portfolio of 232 properties at December 31, 2013 (24.14%) were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals.

The REIT determined the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2014 and 2013.

Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures.

A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. When discount or capitalization rates compress, the estimated fair values of investment properties increase. When discount or capitalization rates expand, the estimated fair values of investment properties decrease.

A change in estimated future rental income and expenses could have a material impact on the fair value of the REIT's investment properties. Estimated rental income and expenses are affected by, but not limited to, changes in rent and expense growth and occupancy rates.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 27 (b).

(In thousands of Canadian dollars, unless otherwise noted)

4. Investment properties, investment properties under development and investment properties held for sale (continued):

The REIT has used the following rates and investment horizons in estimating the fair value of investment properties:

	December 31, 2014			December 31, 2013		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.00%	6.25%	7.34%	9.25%	6.50%	7.43%
Terminal capitalization rate	8.50%	4.50%	6.45%	8.00%	5.50%	6.47%
Capitalization rate	8.25%	4.50%	6.18%	7.50%	5.25%	6.18%
Investment horizon (years)	17.0	10.0	10.6	18.0	10.0	10.8
Central Canada:						
Discount rate	8.50%	7.25%	7.68%	8.75%	7.50%	7.89%
Terminal capitalization rate	8.00%	6.00%	6.61%	8.00%	6.00%	6.75%
Capitalization rate	8.00%	5.75%	6.40%	7.75%	6.00%	6.58%
Investment horizon (years)	13.0	10.0	10.1	15.0	10.0	10.3
Eastern Canada:						
Discount rate	7.75%	6.75%	7.28%	8.00%	6.75%	7.27%
Terminal capitalization rate	7.00%	5.75%	6.55%	7.00%	5.75%	6.51%
Capitalization rate	7.00%	5.50%	6.30%	7.00%	5.50%	6.29%
Investment horizon (years)	14.0	10.0	10.6	15.0	10.0	11.2
U.S.:						
Discount rate	9.50%	7.00%	8.15%	9.50%	7.00%	8.16%
Terminal capitalization rate	9.00%	6.00%	7.13%	9.00%	6.00%	7.29%
Capitalization rate	8.75%	6.00%	6.88%	8.75%	6.00%	7.06%
Investment horizon (years)	20.0	9.0	11.2	20.0	10.0	11.1
Overall:						
Discount rate	9.50%	6.25%	7.55%	9.50%	6.50%	7.60%
Terminal capitalization rate	9.00%	4.50%	6.63%	9.00%	5.50%	6.66%
Capitalization rate	8.75%	4.50%	6.37%	8.75%	5.25%	6.41%
Investment horizon (years)	20.0	9.0	10.7	20.0	10.0	10.8

The above information represents the REIT's entire portfolio of investment properties.

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2014:

	Change to fair value if capitalization rate increases by 0.25%		Change to fair value if capitalization rate decreases by 0.25%	
Western Canada	$	(107,703)	$	116,923
Central Canada		(25,580)		27,690
Eastern Canada		(22,736)		24,632
U.S.		(37,455)		40,345
	$	(193,474)	$	209,590

At December 31, 2014, included in investment properties is $30,587 (December 31, 2013, $25,438) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term in accordance with IAS 17 - *Leases*.

Investment properties include properties held under operating leases with an aggregate fair value of $93,275 at December 31, 2014 (December 31, 2013, $90,606).

At December 31, 2014, investment properties with a fair value of $4,653,391 (December 31, 2013, $4,671,490) are pledged as security under mortgage agreements and a credit facility.

(In thousands of Canadian dollars, unless otherwise noted)

5. **Property and equipment:**

	December 31, 2014	December 31, 2013
Office furniture and fixtures	$ 4,045	$ 3,026
Office equipment and software	1,152	1,063
Accumulated depreciation	(1,792)	(1,217)
	$ 3,405	$ 2,872

6. **Notes receivable:**

	December 31, 2014	December 31, 2013
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments of principal and interest. A default under the terms of the note constitutes a default of the lease of the tenant.	$ 18,672	$ 20,385
Other notes receivable	2,076	79
	20,748	20,464
Current portion	2,509	1,723
Non-current portion	$ 18,239	$ 18,741

7. **Prepaid expenses and other assets:**

	December 31, 2014	December 31, 2013
Prepaid insurance	$ 2,667	$ 2,283
Prepaid taxes	1,717	1,965
Derivative instruments swaps (note 27 (b))	172	4,279
Other	2,115	2,167
	$ 6,671	$ 10,694

8. **Accounts receivable and other receivables:**

	December 31, 2014	December 31, 2013
Rents receivable (note 27 (a)(ii))	$ 5,072	$ 3,335
Allowance for doubtful accounts (note 27 (a)(ii))	(627)	(139)
Accrued recovery income	3,518	4,114
Other amounts receivable	2,992	5,227
	$ 10,955	$ 12,537

9. **Mortgages and loans payable:**

	December 31, 2014	December 31, 2013
Mortgages and loans payable	$ 2,267,285	$ 2,291,636
Net above- and below-market mortgage adjustments	3,186	4,972
Financing costs	(8,417)	(9,011)
	2,262,054	2,287,597
Current portion	393,197	280,983
Non-current portion	$ 1,868,857	$ 2,006,614

The majority of the REIT's assets have been pledged as security under mortgages and other security agreements. 71.9% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 17.4% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. The weighted-average effective rate on all mortgages and loans payable is 4.18% and the weighted-average nominal rate is 4.04% at December 31, 2014 (December 31, 2013, 4.27% and 4.10%, respectively). Maturity dates range from January 31, 2015 to February 14, 2032.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios, and is in compliance with these requirements at December 31, 2014.

(In thousands of Canadian dollars, unless otherwise noted)

10. Senior unsecured debentures:

On March 27, 2014, under the June 15, 2012 short form base shelf prospectus, the REIT issued 3.753% Series A senior unsecured debentures at par for gross proceeds of $125,000. On September 10, 2014, under the July 17, 2014 short form base shelf prospectus, the REIT issued additional 3.753% Series A senior unsecured debentures at a price of $101.24 with a face value of $75,000, for gross proceeds of $75,932. Interest is payable semi-annually on March 27 and September 27. The REIT may redeem the debentures at any time on a minimum of 30 days notice, in whole or in part, at a price equal to the greater of (i) the price of the debentures calculated to provide a yield to maturity equal to the then Government of Canada bond yield plus 0.50% and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption.

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not less than 65% and minimum adjusted unitholders' equity of $300,000. As at December 31, 2014, the REIT was in compliance with these requirements.

Interest expense on the senior unsecured debentures is determined by applying an effective rate of 3.82% to the outstanding liability balance. The difference between actual cash interest payments and interest expense recorded on the senior unsecured debentures is accreted to the liability.

Senior unsecured debenture issue	Issue date	Maturity date	Interest rate
Series A	March 27, 2014, September 10, 2014	March 27, 2019	3.753%

Senior unsecured debenture issue	Face value	Unamortized accretion	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series A	$ 200,000	$ 872	$ (1,345)	$ 199,527	$ -	$ 199,527
December 31, 2014	$ 200,000	$ 872	$ (1,345)	$ 199,527	$ -	$ 199,527
December 31, 2013	-	-	-	-	-	-

During the year ended December 31, 2014, accretion to the liability of $59 and financing cost amortization of $165 were recorded (2013, $nil and $nil, respectively).

11. Convertible debentures:

In conjunction with the purchase of the Fort McMurray portfolio effective November 30, 2007, the REIT issued a Series D convertible redeemable 5.00% debenture totaling $20,000. None of the Series D convertible debentures were converted into units of the REIT in fiscal 2014 or 2013. On December 31, 2013, the REIT redeemed $3,000 of the Series D convertible debentures for cash. On January 15, 2014, the REIT redeemed $2,500 of the Series D convertible debentures for cash. On December 1, 2014, the REIT redeemed the remaining balance of the Series D convertible debentures of $1,500 for cash.

In conjunction with the prospectus that closed on April 22, 2010, the REIT issued Series F convertible redeemable 6.00% debentures totaling $75,000. An additional $11,250 of the Series F convertible debentures were issued pursuant to the exercise of the underwriters' overallotment option. Interest is paid semi-annually on June 30 and December 31. The convertible debentures are convertible into units of the REIT by the holder at any time prior to maturity, being June 30, 2020, at a price of $15.50 per unit. The debentures will not be redeemable by Artis prior to March 31, 2014. On or after March 31, 2014, but prior to March 31, 2016, the Series F debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice, provided that the weighted-average trading price of the units is not less than 125% of the conversion price. On and after March 31, 2016, the Series F convertible debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice. None of the Series F convertible debentures were converted into units of the REIT in fiscal 2014 and 2013.

In conjunction with the prospectus that closed on April 21, 2011, the REIT issued Series G convertible redeemable 5.75% debentures totaling US$80,000. An additional US$8,000 of the Series G convertible debentures were issued pursuant to the exercise of the underwriters' overallotment option. Interest is paid semi-annually on June 30 and December 31. The convertible debentures are convertible into units of the REIT by the holder at any time prior to maturity, being June 30, 2018, at a price of US$18.96 per unit. The debentures will not be redeemable by Artis prior to June 30, 2014. On or after June 30, 2014, but prior to June 30, 2016, the Series G debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice, provided that the weighted-average trading price of the units is not less than 125% of the conversion price. On and after June 30, 2016, the Series G convertible debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice. The debentures rank pari passu with the convertible debentures issued on April 22, 2010. None of the Series G convertible debentures were converted into units of the REIT in fiscal 2014 or 2013.

The REIT's convertible debentures are classified as compound financial instruments. The fair values of the convertible debentures were estimated in whole and separated into liability and equity components when the convertible debentures were reclassified from financial liabilities on August 2, 2012, when the REIT amended its Declaration of Trust to become a closed-end trust. The fair value of each convertible debentures series was estimated using the market price of the debentures, or if no market price existed, an estimate based on the present value of future interest and principal payments due under the terms of the convertible debenture using a discount rate for similar debt instruments.

The Series F convertible debentures were separated into liability and equity components based on the estimated fair value of the liability component. The fair value of the liability component was estimated based on the present value of future interest and principal payments due under the terms of the convertible debenture using a discount rate for similar debt instruments without a conversion feature. The value assigned to the equity component is the residual of the fair value of the liability component and the fair value of the whole financial instrument. Interest expense on the Series F convertible debentures is determined by applying an effective interest rate of 6.25% to the outstanding liability component. The difference between actual cash interest payments and interest expense recorded on the convertible debentures is accreted to the liability component.

The fair value of the Series G convertible debentures in whole was recorded as a liability with no value assigned to equity as these convertible debentures are denominated in US dollars with no fixed conversion rate to Canadian dollars. Interest expense on the Series G convertible debentures is determined by applying an effective rate of 5.04% to the outstanding liability balance. The difference between actual cash interest payments and interest expense recorded on the convertible debentures is accreted to the liability.

(In thousands of Canadian dollars, unless otherwise noted)

11. Convertible debentures (continued):

Particulars of the REIT's outstanding convertible debentures are as follows:

Convertible redeemable debenture issue	Issue date	Maturity date	Interest rate
Series F	April 22, 2010	June 30, 2020	6.00%
Series G	April 21, 2011	June 30, 2018	5.75%

Convertible redeemable debenture issue	Face value	Equity portion	Liability portion	Accretion	Carrying value	Current portion	Non-current portion
Series F	$ 86,170	$ 11,023	$ 84,841	$ 339	$ 85,180	$ -	$ 85,180
Series G	102,089	-	105,764	(1,371)	104,393	-	104,393
December 31, 2014	$ 188,259	$ 11,023	$ 190,605	$ (1,032)	$ 189,573	$ -	$ 189,573
December 31, 2013	183,767	11,154	185,764	(500)	185,264	3,982	181,282

During the year ended December 31, 2014, accretion of $416 reduced the carrying value of the liability component (2013, $327).

12. Accounts payable and other liabilities:

	December 31, 2014	December 31, 2013
Accounts payable and accrued liabilities	$ 28,309	$ 30,420
Distributions payable	12,929	12,088
Accrued interest	8,985	7,019
Accrued property taxes	3,415	2,899
Tenant installments payable	3,631	2,932
Derivative instruments swaps (note 27 (b))	6,852	2,395
Cash-settled unit-based payments liability	1,354	355
Other	1,228	953
	$ 66,703	$ 59,061

13. Bank indebtedness:

On September 6, 2012, the REIT entered into a revolving term credit facility in the amount of $80,000, which could be utilized for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. The credit facility matured on September 12, 2014.

On December 17, 2014, the REIT entered into two unsecured revolving term credit facilities in the aggregate amount of $125,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. The credit facilities mature on December 15, 2017. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2014, the REIT had no balance drawn on the facilities.

For purposes of the credit facilities, the REIT must maintain a consolidated indebtedness to consolidated gross book value ratio of not more than 65%, a consolidated secured indebtedness to consolidated gross book value ratio of not more than 50%, a minimum consolidated EBITDA to debt service ratio of 1.4, a minimum unitholders' equity of not less than the sum of $1,700,000 and 75% of net proceeds received in connection with any equity offerings made after the date of the credit facilities agreement, a minimum unencumbered property assets value to consolidated unsecured indebtedness ratio of 1.4, and a minimum consolidated EBITDA to consolidated interest expense ratio of 1.65. As at December 31, 2014, the REIT was in compliance with these requirements.

On April 10, 2014, the REIT entered into a revolving term credit facility in the amount of $15,000 to finance tenant improvement work at an industrial property under a joint operation arrangement. Amounts drawn on the facility bear interest at prime plus 0.20%. At December 31, 2014, the REIT's share of the balance drawn on the facility is $300.

14. Unitholders' equity:

(a) Common units:

(i) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of common units, with each unit representing an equal undivided interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and restrictions.

(In thousands of Canadian dollars, unless otherwise noted)

14. Unitholders' equity (continued):

(a) Common units (continued):

(ii) Issued and outstanding:

	Number of units		Amount
Balance at December 31, 2012	114,884,469	$	1,449,301
Public offerings, net of issue costs of $7,297	10,424,750		165,232
Options exercised	220,912		3,469
Distribution Reinvestment and Unit Purchase Plan	1,408,345		20,217
Balance at December 31, 2013	126,938,476		1,638,219
Public offering, net of issue costs of $5,028	7,147,250		110,043
Options and restricted units exercised	200,164		2,986
Distribution Reinvestment and Unit Purchase Plan	1,678,573		24,957
At-the-market equity financing	320,000		4,469
Balance at December 31, 2014	136,284,463	$	1,780,674

The REIT has a Distribution Reinvestment and Unit Purchase Plan which allows unitholders the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

(iii) Normal course issuer bid:

On December 12, 2014, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 13,503,435 units, representing 10% of the REIT's float of 135,034,350 units on November 30, 2014. Purchases will be made at market prices through the facilities of the Exchange. This bid will remain in effect until the earlier of December 16, 2015, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the years ended December 31, 2014 and 2013, the REIT did not acquire units through the normal course issuer bid.

(iv) At-the-market equity financing:

The REIT has entered into an Equity Distribution Agreement dated September 17, 2010, as most recently amended and restated on September 15, 2014, with an exclusive agent for the issuance and sale, from time to time, until August 17, 2016 of up to 4,980,000 units of the REIT by way of "at-the-market distributions". The timing of any sale of units and the number of units actually sold during such period are at the discretion of the REIT. Sales of units, if any, pursuant to the Equity Distribution Agreement will be made in transactions that are deemed to be "at-the-market distributions", including sales made directly on the Exchange. On January 31, 2014, 320,000 units were issued pursuant to this arrangement at an average price per unit of $15.09 for gross proceeds of $4,830. Net proceeds were $4,469, which included commission costs of $145.

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units.

(i) Series A:

On August 2, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of $75,000. On August 10, 2012, the underwriting syndicate exercised in full its over-allotment option and a further 450,000 Series A Units were issued for gross proceeds of $11,250. The Series A Units pay a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending September 30, 2017. The distribution rate will be reset on September 30, 2017 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

The REIT may redeem the Series A Units on September 30, 2017 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2017 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2022 and on September 30 every five years thereafter.

(ii) Series C:

On September 18, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series C (the "Series C Units") for aggregate gross proceeds of US$75,000. The Series C Units pay a fixed cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial approximately five and a half-year period ending March 31, 2018. The distribution rate will be reset on March 31, 2018 and every five years thereafter at a rate equal to the sum of the then five-year United States Government bond yield and 4.46%.

The REIT may redeem the Series C Units on March 31, 2018 and on March 31 every five years thereafter. The holders of Series C Units have the right to reclassify their Series C Units to Preferred Units, Series D ("the Series D Units"), subject to certain conditions, on March 31, 2018 and on March 31 every five years thereafter. The Series D Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series D Units have the right to reclassify their Series D Units to Series C Units on March 31, 2023 and on March 31 every five years thereafter.

(iii) Series E:

On March 21, 2013, the REIT issued 4,000,000 Cumulative Rate Reset Preferred Trust Units, Series E (the "Series E Units") for aggregate gross proceeds of $100,000. The Series E Units pay a cumulative distribution yield of 4.75% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ending September 30, 2018. The distribution rate will be reset on September 30, 2018 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.30%.

(In thousands of Canadian dollars, unless otherwise noted)

14. Unitholders' equity (continued):

(b) Preferred units (continued):

(iii) Series E (continued):

The REIT may redeem the Series E Units on September 30, 2018 and on September 30 every five years thereafter. The holders of Series E Units have the right to reclassify their Series E Units to Preferred Units, Series F (the "Series F Units"), subject to certain conditions, on September 30, 2018 and on September 30 every five years thereafter. The Series F Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series F Units have the right to reclassify their Series F Units to Series E Units on September 30, 2023 and on September 30 every five years thereafter.

(iv) Series G:

On July 29, 2013, the REIT issued 3,200,000 Cumulative Rate Reset Preferred Trust Units, Series G (the "Series G Units") for aggregate gross proceeds of $80,000. This included 200,000 Series G Units issued pursuant to the partial exercise of the Underwriters' option. The Series G Units pay a cumulative distribution yield of 5.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ending July 31, 2019. The distribution rate will be reset on July 31, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.13%.

The REIT may redeem the Series G Units on July 31, 2019 and on July 31 every five years thereafter. The holders of Series G Units have the right to reclassify their Series G Units to Preferred Units, Series H (the "Series H Units"), subject to certain conditions, on July 31, 2019 and on July 31 every five years thereafter. The Series H Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series H Units have the right to reclassify their Series H Units to Series G Units on July 31, 2024 and on July 31 every five years thereafter.

The Series A Units, Series C Units, Series E Units and Series G rank equally with each other and with the outstanding Series B Units, Series D Units, Series F Units and Series H units into which they may be reclassified, and rank in priority to the trust units.

(c) Short form base shelf prospectuses:

On June 15, 2012, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. This base shelf expired on July 15, 2014. The REIT had issued common units under three offerings in the amount of $356,680, preferred units under four offerings in the amount of $266,250 and US$75,000 and senior unsecured debentures under one offering in the amount of $125,000 under this short form base shelf prospectus.

On July 17, 2014, the REIT issued a new short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at December 31, 2014, the REIT has issued senior unsecured debentures under one offering in the amount of $75,000 under this short form base shelf prospectus.

(d) Weighted-average common units:

		Year ended December 31, 2014		2013
Net income	$	197,886	$	191,155
Adjustment for distributions to preferred unitholders (note 15)		(17,662)		(14,005)
Net income attributable to common unitholders		180,224		177,150
Adjustment for convertible debentures		10,333		10,231
Adjustment for restricted units		(51)		(11)
Adjustment for deferred units		(2)		-
Diluted net income attributable to common unitholders	$	190,504	$	187,370
The weighted-average number of common units outstanding was as follows:				
Basic common units		132,553,521		122,405,907
Effect of dilutive securities:				
Unit options		144,975		173,083
Convertible debentures		10,200,277		10,425,629
Restricted units		216,721		65,888
Deferred units		439		-
Diluted common units		143,115,933		133,070,507
Net income per unit attributable to common unitholders:				
Basic	$	1.36	$	1.45
Diluted	$	1.33	$	1.41

The computation of diluted net income per unit attributable to common unitholders only includes unit options, convertible debentures and restricted units when these instruments are dilutive. For the years ended December 31, 2014 and 2013, out-of-the-money options are the only anti-dilutive instruments.

(In thousands of Canadian dollars, unless otherwise noted)

15. Distributions to unitholders:

Total distributions declared to unitholders are as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 143,668	$ 1.08	$ 132,454	$ 1.08
Preferred unitholders - Series A	4,528	1.31	4,528	1.31
Preferred unitholders - Series C	4,384	1.46	4,094	1.36
Preferred unitholders - Series E	4,750	1.19	3,690	0.92
Preferred unitholders - Series G	4,000	1.25	1,693	0.53

16. Revenue:

The REIT leases industrial, retail and office properties to tenants under operating leases.

Minimum rental commitments on non-cancellable tenant operating leases over their remaining terms are as follows:

	December 31, 2014	December 31, 2013
Not later than one year	$ 321,426	$ 301,393
Later than one year and not later than five years	901,866	866,471
Later than five years	620,300	630,048
	$ 1,843,592	$ 1,797,912

17. Transaction costs:

The REIT incurred transaction costs in relation to the following:

	2014	Year ended December 31, 2013
Acquisitions of investment properties	$ 2,077	$ 4,929
Acquisitions of joint ventures	413	756
	$ 2,490	$ 5,685

18. (Loss) gain on financial instruments:

The components of the (loss) gain on financial instruments are as follows:

	2014	Year ended December 31, 2013
Convertible debentures	$ 121	$ 85
Interest rate swaps	(8,558)	5,981
Forward and swap foreign exchange contracts	-	(78)
	$ (8,437)	$ 5,988

19. Changes in non-cash operating items:

	2014	Year ended December 31, 2013
Prepaid expenses and other assets	$ (293)	$ (1,079)
Accounts receivable and other receivables	(907)	(921)
Security deposits and prepaid rent	4,062	1,896
Accounts payable and other liabilities	390	6,967
	$ 3,252	$ 6,863

(In thousands of Canadian dollars, unless otherwise noted)

20. Employee benefits:

(a) Short-term employee benefits:

	2014	Year ended December 31, 2013
Trustees	$ 734	$ 666
Key management personnel	4,231	4,209
Other employees	12,115	10,415
	$ 17,080	$ 15,290

Short-term employee benefits include salaries, bonuses and other short-term benefits. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the REIT, directly or indirectly.

(b) Long-term employee benefits:

(i) Defined benefit pension plans:

The REIT has defined benefit plans providing pension benefits to certain key management personnel. The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of valuation. The REIT uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014	Year ended December 31, 2013
Discount rate	6.00%	6.00%
Rate of salary increases	2.00%	2.00%

The amounts included in the consolidated balance sheets in respect of the employee benefit plans are as follows:

	2014	Year ended December 31, 2013
Accrued defined benefit obligation	$ 4,104	$ 2,795
Fair value of plan assets	4,325	2,937
Funded status	(221)	(142)
Assets not recognized due to asset ceiling	221	142
Net liability arising from defined benefit obligation	$ -	$ -
Movements in the present value of the defined benefit obligation:		
Opening defined benefit obligation	$ 2,795	$ 1,696
Current service cost	1,173	998
Interest cost	136	101
Closing defined benefit obligation	$ 4,104	$ 2,795
Movements in the fair value of plan assets:		
Opening fair value of plan assets	$ 2,937	$ 1,696
Expected return on plan assets	142	99
Interest income (above expected return)	57	61
Contributions	1,189	1,081
Closing fair value of plan assets	$ 4,325	$ 2,937

The net expense for the defined benefit plans for the year ended December 31, 2014 is $1,189 (2013, $1,081), and is included in corporate expenses.

(ii) Other long-term employee benefits:

The REIT has an obligation for future retirement payments to certain key management personnel upon completion of a defined service period. The REIT has recorded an expense of $844 related to these benefits for the year ended December 31, 2014 (2013, $nil), which is included in corporate expenses.

(In thousands of Canadian dollars, unless otherwise noted)

20. Employee benefits (continued):

(c) Unit-based compensation:

	2014		Year ended December 31, 2013
Trustees	$ 139	$	292
Key management personnel	1,137		1,135
Other employees	364		400
	$ 1,640	$	1,827

Under the REIT's equity incentive plan, there may be grants of unit options, restricted units, deferred units or installment units, which are subject to certain restrictions. Under this incentive plan, the total number of units reserved for issuance may not exceed 8,500,000 units, of which a maximum of 4,000,000 units are reserved for the issuance of unit options.

(i) Unit options:

Unit-based compensation expense related to unit options outstanding under the equity incentive plan for the year ended December 31, 2014 amounted to $609 (2013, $1,481). These unit options vest equally over a four-year period from the grant date.

A summary of the REIT's unit options outstanding are as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Units	Weighted- average exercise price	Units	Weighted- average exercise price
Balance, beginning of year	3,365,213	$ 15.03	3,689,875	$ 14.92
Exercised	(199,713)	12.62	(220,912)	12.95
Expired	(302,250)	15.34	(103,750)	15.42
Balance, end of year	2,863,250	$ 15.17	3,365,213	$ 15.03
Options exercisable at end of year	1,868,250		1,329,151	

The weighted-average unit price at the date of exercise for unit options exercised during the year ended December 31, 2014 was $15.80 (2013, $15.05).

Options outstanding at December 31, 2014 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 11.28	33,500	0.25 years	$ 11.28	33,500
$ 13.30	195,500	0.75 years	$ 13.30	195,500
$ 13.44	237,750	1.00 years	$ 13.44	237,750
$ 14.10	864,000	1.50 years	$ 14.10	635,250
$ 16.36	1,532,500	2.25 years	$ 16.36	766,250
	2,863,250		$ 15.17	1,868,250

(ii) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2014 amounted to $1,006 (2013, $346). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units vest. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

A summary of the REIT's restricted units outstanding are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
	Units	Units
Balance, beginning of year	203,957	45,060
Granted	75,300	155,741
Accrued	15,016	4,322
Exercised	(1,586)	(457)
Expired	(16,203)	(709)
Balance, end of year	276,484	203,957
Restricted units vested at end of year	-	-

(In thousands of Canadian dollars, unless otherwise noted)

20. Employee benefits (continued):

(c) Unit-based compensation (continued):

(iii) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2014 amounted to $25 (2013, $nil). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

	Year ended December 31, 2014	Year ended December 31, 2013
	Units	Units
Balance, beginning of year	-	-
Granted	1,723	-
Accrued	21	-
Balance, end of year	1,744	-
Deferred units vested at end of year	1,744	-

At December 31, 2014, no installment units have been granted under the REIT's equity incentive plan.

21. Related party transactions:

The REIT may issue unit-based awards to trustees, officers, employees and consultants (note 20).

Other related party transactions are outlined as follows:

	2014	Year ended December 31, 2013
Property management fees	$ 331	$ 323
Capitalized leasing commissions	96	49
Capitalized project management fees	15	27
Capitalized building improvements	7,881	3,656
Capitalized development projects	13,263	25,809
Capitalized office furniture and fixtures	758	513
Capitalized tenant inducements	498	1,109
Property tax assessment consulting fees	385	274
Rental revenues	(168)	(168)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. (''Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at December 31, 2014 is $29 (December 31, 2013, $27).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. (''Marwest Construction") and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at December 31, 2014 is $3,253 (December 31, 2013, $1,161).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at December 31, 2014 is $45 (December 31, 2013, $nil).

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 2014 is $nil (December 31, 2013, $7).

The REIT collects office rents from Marwest Management.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(In thousands of Canadian dollars, unless otherwise noted)

21. Related party transactions (continued):

Subsidiaries and joint arrangements of the REIT, excluding bare trustees, are outlined as follows:

Name of entity	Country	Ownership interest December 31, 2014	Ownership interest December 31, 2013
Artis General Partner Ltd.	Canada	100%	100%
AX L.P.	Canada	100%	100%
Artis Property Management General Partner Ltd.	Canada	100%	100%
AX Property Management L.P.	Canada	100%	100%
Winnipeg Square Leaseco, Inc.	Canada	100%	100%
AX Longboat G.P. Inc.	Canada	50%	50%
AX Longboat L.P.	Canada	50%	50%
Artis US Holdings, Inc.	U.S.	100%	100%
Artis US Holdings II GP, Inc.	U.S.	100%	-
Artis US Holdings II, LLC	U.S.	100%	-
Artis US Holdings II L.P.	U.S.	100%	-
Artis Core Park West Land, Ltd.	U.S.	90%	-
Park Lucero I L.P.	U.S.	90%	-
Park Lucero II L.P.	U.S.	90%	-
Artis HRA 1700 Broadway GP, LLC	U.S.	50%	50%
Artis HRA 1700 Broadway L.P.	U.S.	50%	50%
Artis HRA Hudsons Bay GP, LLC	U.S.	50%	-
Artis HRA Hudsons Bay L.P.	U.S.	50%	-

22. Income taxes:

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

The REIT's U.S. subsidiaries are REITs for U.S. income tax purposes. The subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current U.S. income taxes. The U.S. subsidiaries are subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The Income Tax Act (Canada) contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to tax.

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the years ended December 31, 2014 and December 31, 2013. As a result, the REIT does not recognize any deferred income tax assets or liabilities for income tax purposes.

23. Joint arrangements:

The REIT had interests in the following joint arrangements:

Property	Principal purpose	Type of arrangement	Ownership interest December 31, 2014	Ownership interest December 31, 2013
Corridor Park	Investment property	Joint venture	90%	-
Park Lucero I	Investment property	Joint venture	90%	-
Park Lucero II	Investment property	Joint venture	90%	
1700 Broadway	Investment property	Joint venture	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Hudson's Bay Centre	Investment property	Joint venture	50%	-
Centre 70 Building	Investment property	Joint operation	85%	85%
Whistler Hilton Retail Plaza	Investment property	Joint operation	85%	85%
Westbank Hub Centre North	Investment property	Joint operation	75%	75%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	75%
Cliveden Building	Investment property	Joint operation	50%	50%
Kincaid Building	Investment property	Joint operation	50%	50%

The REIT has assessed the above investment properties as joint arrangements as decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT has determined the type of arrangement based upon the ownership structure of each individual investment property.

(In thousands of Canadian dollars, unless otherwise noted)

23. Joint arrangements (continued):

During the year ended December 31, 2014, the REIT entered into four joint venture arrangements. Park Lucero I and Park Lucero II are a development project located in the Phoenix Metropolitan Area, Arizona, Hudson's Bay Centre is an office property in Denver, Colorado and Corridor Park is a development project located in Houston, Texas. The REIT contributed $53,406 to these joint venture arrangements, inclusive of transaction costs of $413 (note 17) which were expensed during the year ended December 31, 2014.

The REIT is contingently liable for the obligations of certain joint arrangements. As at December 31, 2014, the co-owners' share of mortgage liabilities is $82,376 (December 31, 2013, $57,485). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

Summarized financial information of the REIT's share in its joint venture arrangements is as follows:

	December 31, 2014	December 31, 2013
Non-current assets:		
Investment properties	$ 87,746	$ 56,913
Investment properties under development	72,262	17,690
Current assets:		
Prepaid expenses and other assets	230	26
Accounts receivable and other receivables	620	305
Cash held in trust	1,337	736
Cash and cash equivalents	3,025	1,201
	165,220	76,871
Non-current liabilities:		
Mortgages and loans payable	46,487	30,706
Current liabilities:		
Mortgages and loans payable	15,116	520
Security deposits and prepaid rent	497	158
Accounts payable and other liabilities	5,048	3,053
	67,148	34,437
Investments in joint ventures	$ 98,072	$ 42,434

	2014	Year ended December 31, 2013
Revenue	$ 8,081	$ 3,617
Property operating expenses	3,547	1,560
Net operating income	4,534	2,057
Other income (expenses):		
Interest expense	(1,166)	(494)
Fair value (loss) gain on investment properties	(7,355)	5,893
Net (loss) income from investments in joint ventures	$ (3,987)	$ 7,456

(In thousands of Canadian dollars, unless otherwise noted)

24. Segmented information:

The REIT owns and operates various properties located in Canada and the U.S. Information related to these geographical locations is presented below. Western Canada includes British Columbia, Alberta and Saskatchewan; Central Canada includes Manitoba; and Eastern Canada includes Ontario. REIT expenses, as well as interest relating to debentures, have not been allocated to the segments.

	Year ended December 31, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 247,295	$ 71,232	$ 62,657	$ 119,120	$ 254	$ 500,558
Property operating expenses	82,675	32,856	24,776	47,403	-	187,710
Net operating income	164,620	38,376	37,881	71,717	254	312,848
Other income (expenses):						
Corporate expenses	-	-	-	-	(10,261)	(10,261)
Interest expense	(46,937)	(13,690)	(12,043)	(20,369)	(15,507)	(108,546)
Interest income	1,250	36	36	55	441	1,818
Net (loss) income from investments in joint ventures	-	(6,966)	-	2,979	-	(3,987)
Fair value gain (loss) on investment properties	19,744	5,816	(7,535)	20,806	-	38,831
Foreign currency translation loss	-	-	-	-	(21,890)	(21,890)
Transaction costs	(647)	(228)	-	(1,615)	-	(2,490)
Loss on financial instruments	-	-	-	-	(8,437)	(8,437)
Net income (loss)	$ 138,030	$ 23,344	$ 18,339	$ 73,573	$ (55,400)	$ 197,886
Acquisitions of investment properties	$ 58,035	$ 12,425	$ -	$ 131,128	$ -	$ 201,588
Additions to investment properties and investment properties under development	16,034	16,852	2,997	6,817	-	42,700
Additions to leasing costs	3,908	227	2,449	2,802	-	9,386
Additions to tenant inducements	11,248	2,293	530	5,667	-	19,738

	December 31, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,794,101	$ 699,155	$ 596,876	$ 1,361,790	$ 26,930	$ 5,478,852
Total liabilities	1,126,486	300,567	282,158	625,860	414,776	2,749,847

(In thousands of Canadian dollars, unless otherwise noted)

24. Segmented information (continued):

	Year ended December 31, 2013					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 238,417	$ 66,899	$ 62,945	$ 95,058	$ 99	$ 463,418
Property operating expenses	76,407	30,318	23,765	36,046	-	166,536
Net operating income	162,010	36,581	39,180	59,012	99	296,882
Other income (expenses):						
Corporate expenses	-	-	-	-	(9,713)	(9,713)
Interest expense	(48,069)	(13,729)	(12,260)	(17,242)	(11,315)	(102,615)
Interest income	1,323	67	73	46	517	2,026
Net income from investments in joint ventures	-	1,741	-	5,715	-	7,456
Fair value (loss) gain on investment properties	(5,380)	21,892	(14,601)	2,474	-	4,385
Foreign currency translation loss	-	-	-	-	(7,569)	(7,569)
Transaction costs	(1,126)	(1,445)	(1,524)	(1,590)	-	(5,685)
Gain on financial instruments	-	-	-	-	5,988	5,988
Net income (loss)	$ 108,758	$ 45,107	$ 10,868	$ 48,415	$ (21,993)	$ 191,155
Acquisitions of investment properties	$ 221,012	$ 48,158	$ 59,080	$ 169,714	$ -	$ 497,964
Additions to investment properties and investment properties under development	19,961	28,736	2,017	8,915	-	59,629
Additions to leasing costs	3,765	1,365	830	2,512	-	8,472
Additions to tenant inducements	5,875	4,321	2,916	5,319	-	18,431

	December 31, 2013					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,705,378	$ 672,699	$ 602,903	$ 1,035,970	$ 25,087	$ 5,042,037
Total liabilities	1,168,121	296,084	311,168	581,004	201,413	2,557,790

25. Commitments and guarantees:

(a) Letters of credit:

As of December 31, 2014, the REIT had issued letters of credit in the amount of $821 (December 31, 2013, $851).

(b) Guarantees:

AX L.P. has guaranteed certain debt assumed by a purchaser in connection with the disposition of a property. This guarantee will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchaser defaults on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under this guarantee in the event of default by the purchaser, in which case the REIT would have a claim against the underlying property. The estimated amount of debt subject to the guarantee at December 31, 2014 is $5,262 (December 31, 2013, $5,427), with an estimated weighted-average remaining term of 2.9 years (December 31, 2013, 3.9 years). No liability in excess of the fair value of the guarantee has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interests in the underlying property is greater than the mortgage payable for which the REIT provided the guarantee.

(In thousands of Canadian dollars, unless otherwise noted)

26. Capital management:

The REIT's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The REIT defines capital as mortgages and loans payable, senior unsecured debentures, convertible debentures, bank indebtedness and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at December 31, 2014, the ratio of such indebtedness to gross book value was 44.9% (December 31, 2013, 45.4%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

		December 31, 2014		December 31, 2013
Mortgages and loans payable (note 9)	$	2,262,054	$	2,287,597
Senior unsecured debentures (note 10)		199,527		-
Convertible debentures (note 11)		189,573		185,264
Bank indebtedness (note 13)		300		-
Total debt		2,651,454		2,472,861
Unitholders' equity		2,729,005		2,484,247
	$	5,380,459	$	4,957,108

27. Risk management and fair values:

(a) Risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of the gross book value of the REIT's total assets and by monitoring the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2014, the REIT is a party to $637,842 of variable rate debt, including bank indebtedness (December 31, 2013, $575,463). At December 31, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $394,960 of variable rate debt (December 31, 2013, $323,489).

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt and fixed rate debt maturing within one year:

		Impact on interest expense
Variable rate debt	$	2,090
Fixed rate debt due within one year		3,428
	$	5,518

(b) Foreign currency risk:

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate this risk, the REIT's debt on U.S. properties as well as the Series G convertible debentures are held in US dollars to act as a natural hedge. The REIT's Series C Units are also denominated in US dollars.

A $0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 1.1080 for the year ended December 31, 2014, and the year end exchange rate of 1.1601 at December 31, 2014 would have increased net income by approximately $1,689 for the year ended December 31, 2014. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $56,441 for the year ended December 31, 2014. Conversely, a $0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(c) Other price risk:

The REIT periodically enters into derivative transactions in regards to non-financial items, primarily natural gas and electrical contracts, to manage the price risk arising from fluctuations in these commodities.

(In thousands of Canadian dollars, unless otherwise noted)

27. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and cash equivalents, cash held in trust, accounts receivable and other receivables, deposits on investment properties and notes receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, retail and office asset classes, and geographically diversified with properties owned across five Canadian provinces and six U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of $861 during the year ended December 31, 2014 (2013, $213). The credit quality of the accounts receivable and other receivables amount is considered adequate.

	December 31, 2014	December 31, 2013
Past due 0 - 30 days	$ 2,964	$ 2,315
Past due 31 - 90 days	424	456
Past due more than 91 days	1,684	564
	5,072	3,335
Allowance for doubtful accounts	(627)	(139)
	$ 4,445	$ 3,196

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out credit checks and related due diligence on the borrowers.

(iii) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity by maintaining adequate cash and by having appropriate lines of credit available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's non-derivative financial liabilities at December 31, 2014 including bank indebtedness, accounts payable and other liabilities, convertible debentures, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	$ 300	$ 300	$ -	$ -	$ -
Accounts payable and other liabilities [(1)]	71,751	71,751	-	-	-
Convertible debentures	188,259	-	-	102,089	86,170
Senior unsecured debentures	200,000	-	-	200,000	-
Mortgages and loans payable [(1)]	2,329,164	408,963	989,401	346,594	584,206
	$ 2,789,474	$ 481,014	$ 989,401	$ 648,683	$ 670,376

[(1)] This includes balances included in the REIT's investments in joint ventures.

(b) Fair values:

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of its financial instruments and its investment properties. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data.

There were no transfers of assets or liabilities between hierarchy levels during the years ended December 31, 2014 and 2013.

(In thousands of Canadian dollars, unless otherwise noted)

27. Risk management and fair values (continued):

(b) Fair values (continued):

		December 31, 2014		December 31, 2013	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 5,201,489	$ 5,201,489	$ 4,851,877	$ 4,851,877
Investment properties under development	Level 3	81,682	81,682	47,281	47,281
Notes receivable	Level 2	20,748	22,277	20,464	21,181
Mortgage interest rate swaps	Level 2	172	172	4,279	4,279
		5,304,091	5,305,620	4,923,901	4,924,618
Liabilities:					
Mortgages and loans payable	Level 2	2,262,054	2,312,929	2,287,597	2,307,518
Senior unsecured debentures	Level 2	199,527	202,750	-	-
Convertible debentures	Level 1, 2 [(1)]	189,573	193,827	185,264	190,206
Mortgage interest rate swaps	Level 2	6,852	6,852	2,395	2,395
		2,658,006	2,716,358	2,475,256	2,500,119
		$ 2,646,085	$ 2,589,262	$ 2,448,645	$ 2,424,499

[(1)] Convertible debentures excluding Series D are measured using a Level 1 methodology and Series D convertible debentures are valued using a Level 2 methodology.

The fair value of the REIT's accounts receivable and other receivables, accounts payable and other liabilities, and bank indebtedness approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of notes receivable has been determined by discounting the cash flows of these financial assets using period end market rates for assets of similar terms and credit risks.

The fair value of mortgages and loans payable has been determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks.

The fair values of the senior unsecured debentures and the convertible debentures are based on the market price of the debentures, or if no market price exists, the fair values are determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks.

The REIT entered into interest rate swaps on a number of mortgages. The swaps are not designated in a hedge relationship. An unrealized loss of $8,558 was recorded for the year ended December 31, 2014 (2013, gain of $5,981) in relation to the fair value of these interest rate swaps.

28. Subsequent events:

On January 14, 2015, the REIT refinanced a maturing mortgage on an industrial property, obtaining additional financing of $2,107.

On January 15, 2015, the REIT declared a monthly distribution of $0.09 per unit for January 2015.

On January 15, 2015, the REIT declared a quarterly cash distribution of $0.3125 per Series G Unit for the quarter ending January 31, 2015.

On January 29, 2015, the REIT drew $10,000 on its revolving term credit facility.

On February 2, 2015, the REIT repaid two maturing mortgages in the amount of $12,166.

On February 15, 2015, the REIT declared a monthly distribution of $0.09 per unit for February 2015.

On February 23, 2015, the REIT refinanced a maturing mortgage on an industrial property, obtaining additional financing of $6,401.

29. Approval of financial statements:

The consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 26, 2015.

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